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ABSTRACT

This publication is intended to help school administrators, teachers, students, school board members, and lay citizens gain a basic understanding of Illinois school finance. It contains a summary of fiscal year 1975 appropriations and financially related legislation, a cursory explanation of how schools obtain state revenue, a discussion of federal program funding, and an explanation of local revenue sources and related financial matters. In addition, there is a progress report on the Illinois Program Accounting Manual for Local Education Agencies, descriptions of the activities of the Illinois Financial Accounting Committee and Illinois School Problems Commission, and a review of recent school finance literature. A glossary and supplementary bibliography are also included. (Author/JG)

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Issued by

The Office of the Superintendent of Public Instruction
State of Illinois

MICHAEL J. BAKALIS, Superintendent

FOREWORD

State, Local, and Federal Financing for Illinois Public Schools, 1974-1975, is compiled to explain the intricacies and magnitude of funding for the common schools. The publication contains a summary of Fiscal Year 1975 appropriations, fiscally related legislation, a cursory explanation of how the public schools obtain state revenues, an explanation of sources of local revenues, tax rate limitations, interfund transfers, and borrowing of monies. A presentation of federal program funding is also included in this edition.

The reader will also find a presentation of recent school finance reform literature and its implications for Illinois, a progress report of activities for implementing the Illinois Program Accounting Manual for Local Education Agencies, activities of the Illinois Financial Accounting Committee, a look at the Illinois School Problems Commission, and material on financing capital facilities.

The abbreviated text is designed for use by school administrators, teachers, board members, and lay citizens. State, Local, and Federal Financing for Illinois Public Schools is intended to serve as a source for obtaining a basic understanding of Illinois school finance, as a discussion guide, as an outline for individual and group analyses, and as a supplementary reading in school finance courses. A glossary and a reading list are included to assist the reader. Much of the information in this document is abbreviated and simplified. Further study may be required for a deeper understanding of the subject.

This monograph is primarily the work of Dr. Fred Bradshaw, Director of the Finance and Claims Section, Office of the Superintendent of Public Instruction, with contributions by Dr. G. Alan Hickrod, Illinois State University, Recent School Finance Reform Literature and its Implications for Illinois; Dr. Robert Burnham, Associate Dean for Instruction, University of Illinois, The Illinois School Problems Commission and Financing Capital Facilities; Mr. Paul E. Glick, Assistant Director, Finance and Claims Section, Office of the Superintendent of Public Instruction, Accomplishments and Activities of the Illinois Financial Accounting Committee and a progress report relating to the implementation of the Illinois Program Accounting Manual. Recognition is given to Mr. Darrell Elliott for his editing of the statistical data and to Mrs. Sue Snyder for the typing.

Michael J. Bakalis

Michael J. Bakalis
Superintendent of Public Instruction

October 1974

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INTRODUCTION

Approximately $1.6 billion (44.7 percent) of the 1974-1975 revenue for the common schools is derived from state appropriations. The General Assembly appropriates the total amount of state money distributed to the school districts with one exception: the income earned by permanent school endowments, which amounts to less than one-tenth of one percent. One-fourth of the State's share of the Retailer's Occupation and Use Tax, commonly known as the Sales Tax, is earmarked for the Common School Fund. In addition, $4 of the $8 fee for drivers' licenses is placed in the Driver Education Fund to support the Driver Education Program.

The estimated combined state, local, and federal revenue for the Illinois common schools during the 1974-1975 school year will approximate $3.6 billion. This will provide educational opportunities to an estimated 2,281,000 public school pupils and minimal services to approximately 380,000 nonpublic school pupils. Local contributions will be approximately $1.8 billion (49.5 percent) and federal efforts will amount to about $212 million (5.8 percent) of the combined state, local, and federal fiscal efforts.

State monies are obtained when a local school district files a claim through the superintendent of the educational service region to the Office of the Superintendent of Public Instruction on the basis of pupil attendance or a preapproved program. Once the claim has been honored, the Superintendent of Public Instruction submits a voucher to the State Comptroller who processes payment to the superintendent of the educational service region. Payment is then forwarded to the local school district.

Section I illustrates the sources of state, local, and federal revenues, the percentage of funding from each source, and descriptive statistics covering the number of pupils and districts served. The major emphasis of Section II is on state legislative appropriations for the distribution of monies to local school districts. Section III relates to assessment practices, levying procedures, property tax legislation, tax rate limitations, interfund transfers, district short term borrowing and district long term borrowing.

Section IV provides an explanation of the Illinois Financial Accounting Committee activities, a progress report of activities for implementing the Illinois Program Accounting Manual, the financing of capital facilities, the Illinois School Problems Commission, and trends in school finance reform. A glossary and readers' list are also included in the publication.

SECTION I

Sources of State Revenue

The State Sales Tax (Occupational and Use Taxes) and the State Income Tax together provide in excess of three billion dollars in revenues, annually. Other major sources of revenues are: Motor Fuel Tax, License Fees, Public Utilities Tax, Tobacco Products, Alcoholic Beverages, Inheritance, Estate, Insurance, Parimutuals, Hotel, Realty Transfer, Private Car Levies, Lottery, and Bond Proceeds. The State also receives a share of funds under the State and Local Fiscal Assistance Act of 1972 in addition to other federal funds. The distribution of these state and federal revenues is depicted in Figures 1 and 2. Figure 1 shows state appropriation amounts (in millions) and the percent of the total State appropriation for

Fiscal Year 1974. Figure 2 shows comparable data for Fiscal Year 1975. It should be noted that the total allocation for education is $2,741 million (32.9% of the total state appropriations). The common schools receive more than one-fifth of the state revenue dollar.

Prior to 1970, most of the State's revenues were derived from sales and gross receipt taxes. The Illinois Income Tax Law, enacted by the Seventy-sixth General Assembly, has provided an important source of state revenues. The projected yield from the State Income Tax is $1.57 billion for Fiscal Year 1975. This projected revenue is based on actual receipts during Fiscal Year 1974 ($1.41 billion) and estimated receipts for Fiscal Year 1975.

The major sources of local revenues are real property taxes, corporate personal property taxes, sale of bonds, sale of property, tuition, textbook sales or rentals, admissions, student fees, and sale of food. An overwhelming proportion of local support is derived from real property and corporate personal property taxes.

Percentage of State, Local, and Federal Funding

Table I shows state, local, and federal financing of the public schools during the period, 1966-1967 through 1974-1975. In actual dollars, state support increased each year during the study period. The percentage of state support increased from 25 percent to an estimated 45 percent for 1974-1975.

State support has increased from $368.6 million to $1,626.3 million, or 341 percent, during the study period. Local support has increased from $1,014.1 million to $1,800 million, or 77 percent, during the study period. Federal support has increased; however, the percent of total federal resources available to a district has remained at the six percent level (the federal support in Table 1 excludes federal revenue sharing).

Table 2 shows property tax extensions for all school districts, community college districts, and common school districts for the period 1966 through 1974.

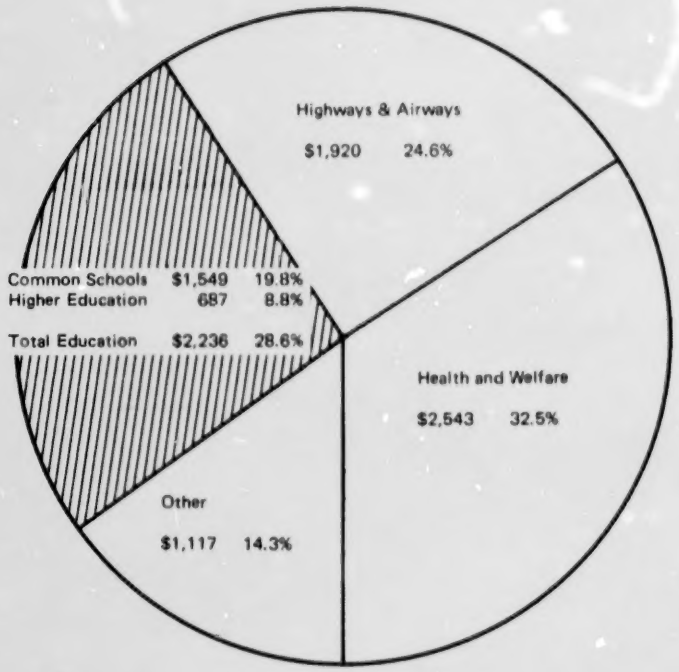
SECTION II

The number of school districts continues to decrease each year (see Table 3) due to consolidation and reorganization. The National Center for Educational Statistics, United States Office of Education, reported 16,698 school districts in the United States during the fall of 1973. The 1,060 Illinois districts represented 6.3 percent of the national total. Although Illinois has almost 300 fewer districts than during 1967-1968, only two states, Nebraska and Texas, have more districts than Illinois. Independent, parochial, and private school enrollments also continue to decrease. Table 4 shows public and nonpublic pupil fall enrollment data during the period, 1966-1967 through 1974-1975. Nursery and prekindergarten pupils are excluded from the data.

COMMON SCHOOL FUND

State revenues are made available to local school districts through legislative appropriations. The primary appropriations are from the General Revenue Fund and the Federal Fiscal Assistance Trust Fund to the Common School Fund. A brief description and discussion of each appropriation follows:

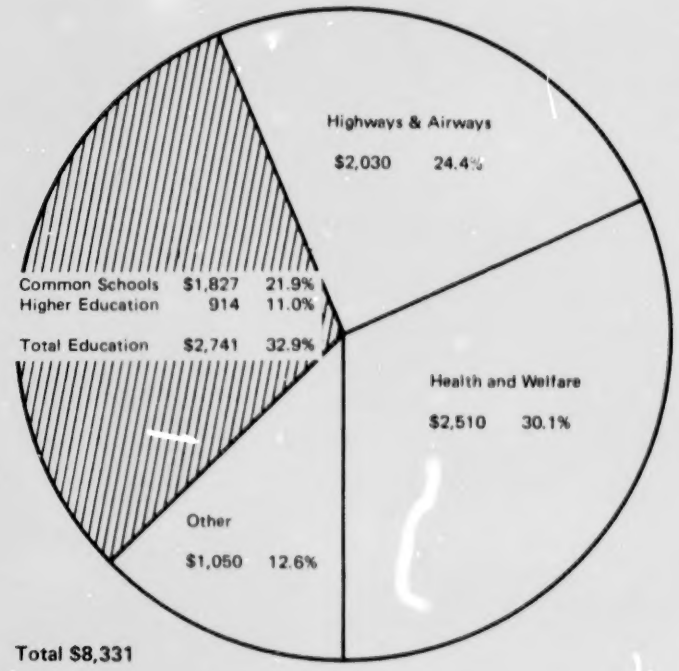
House Bill 2802, as amended by Governor Walker, provides $1,058 million for special equalization aid and flat grants to honor the annual and supplementary claims for state aid. Monies for state impaction and summer school claims are also included in the appropriation.



Total $7,816

FIGURE 1

State Appropriations
Fiscal 1974
Dollars (in millions) and Percent



Total $8,331

FIGURE 2

State Appropriations
Fiscal 1975
Dollars (in millions) and Percent

Source: Bureau of the Budget, State of Illinois.

NOTE: The common schools amount shown includes capital development funds and appropriated federal funds.

TABLE 1 -- STATE, LOCAL, AND FEDERAL RECEIPTS OF FUNDS FOR THE COMMON SCHOOLS DURING THE PERIOD 1966-1967 THROUGH 1974-1975
($ IN MILLIONS)

Year	State	Percent State	Local[c]	Percent Local	Federal	Percent Federal	Total
1974-1975	$1,626.3[b]	44.70[a]	$1,800.0[a]	49.48[a]	$211.9[a,d]	5.82[a]	$3,638.2[a]
1973-1974	1,374.0	41.41[a]	1,736.0[a]	52.32	208.0[a,d]	6.27[a]	3,318.0[a]
1972-1973	1,160.3	36.72	1,808.4	57.23	191.2	6.05	3,159.9
1971-1972	995.7	37.42	1,508.6	56.70	156.5	5.88	2,660.8
1970-1971	954.7	39.61	1,301.4	54.00	154.0	6.39	2,410.1
1969-1970	787.0	30.74	1,651.4	64.51	121.6	4.75	2,560.0
1968-1969	516.6	27.94	1,228.3	66.42	104.3	5.64	1,849.2
1967-1968	491.9	27.13	1,230.0	67.84	91.1	5.03	1,813.0
1966-1967	368.6	25.04	1,014.1	68.89	89.4	6.07	1,472.1

[a]Estimate

[b]Included are the 1974 supplementary appropriation or transfers ($17,001,923) to provide 100 percent funding for 1973-1974 claims. Of this amount, $12,330,501.02 was for Distributive Fund payments, $1,500,000 for Special Education Program reimbursement, $1,283,000 for Special Education Building reimbursement, $1,008,000 for Orphanage and Tuition Claims, and $879,823 for Parental School Claims. Some of the appropriated 1974 amounts were not needed. The total unneeded was $8,909,000. Of this amount $2,800,000 was for transporting regular and vocational pupils, $3,270,000 for transporting special education pupils, and $2,839,000 for the state free lunch and breakfast program. Only 60 percent of the vocational education appropriation is included since community colleges receive a portion of the appropriation.

[c]The so-called advance taxes (taxes received by a district prior to July 1) cause major fluctuations in local education agency revenues reported in a given year.

[d]The State share of federal revenue sharing monies distributed to local school districts is not included in this statistic.

Senate Bill 1324 appropriated $123 million from the Common School Fund to the Superintendent of Public Instruction for apportionment to the Downstate Teachers' Retirement System and $34,464,600 to the Chicago Teachers' Retirement System. Other appropriations from the Common School Fund to the Superintendent of Public Instruction are provided in Senate Bill 1324 as follows: compensation of superintendents of educational service regions and assistants, $4,125,000; Supervisory Expense Fund, $102,000; Orphanages, Children's Homes, and State-Owned Housing, $2,275,000; and Tax Equivalent Grants, $130,000.

TABLE 2--PROPERTY TAX EXTENSIONS 1966-1974
(in millions)

Levy Year	Tax Revenue for School Term	All School Districts	Community College Districts	Common School Districts
1973	1974-1975[a]	$1,894.9	$94.9	$1,800.0
1972	1973-1974[a]	1,827.3	91.3	1,736.0
1971	1972-1973	1,730.2	89.2	1,641.0
1970	1971-1972	1,621.6	83.6	1,538.0
1969	1970-1971	1,516.2	71.6	1,444.6
1968	1969-1970	1,402.7	63.6	1,339.1
1967	1968-1969	1,262.5	51.8	1,210.7
1966	1967-1968	1,088.2	14.3	1,073.9
1965	1966-1967	934.5	1.6	932.9

[a]Estimate

Source of actual data: Department of Local Government Affairs, State of Illinois

Provisions for the Distribution of State Appropriations and Program Participation

General State Aid Law

House Bill 2753 (1974) amends Section 18-8 of The School Code of Illinois. One formula retains the basic provisions of the 1973-1974 "Strayer-Haig" Formula, which includes a foundation level of $520 for each best six months' weighted average daily attendance (WADA) pupil. The qualifying tax rates are .90 percent in elementary and high school districts with less than 100 WADA, .84 percent in dual districts with 100 or more WADA, and 1.08 percent in unit districts. The flat grant remains at $48 for each WADA pupil; there is a .50 weighting of kindergarten pupils and three and four year old exceptional children as defined in Article 14, The School Code of Illinois, a 1.00 weighting for all 1-8 grade pupils, and a 1.25 weighting of all 9-12 grade pupils. A district's WADA includes a .45 weighting for each Elementary and Secondary Act (ESEA) Title I pupil. The law continues to provide that if the amount of state aid per WADA pupil is less than $120, the amount of

TABLE 3 -- NUMBER OF PUBLIC SCHOOL DISTRICTS 1967-1968 THROUGH 1974-1975

School Year	Elementary Districts	High School Districts	Unit Districts	Total Districts
1974-1975	466	135	444	1,045[a]
1973-1974	480	139	441	1,060[a]
1972-1973	508	146	436	1,090
1971-1972	561	163	422	1,146
1970-1971	588	168	419	1,175
1969-1970	637	185	405	1,227
1968-1969	688	199	392	1,279
1967-1968	723	209	383	1,315

[a]One Department of Corrections school district is not included.

TABLE 4 -- PUBLIC AND NONPUBLIC K-12 PUPIL ENROLLMENT DURING THE PERIODS 1966-1967 THROUGH 1974-1975

Year	Public	Nonpublic	Total
1974-1975[a]	2,281,000	380,000	2,661,000
1973-1974[b]	2,311,916	389,264	2,701,180
1972-1973[b]	2,347,627	404,623	2,752,250
1971-1972[b]	2,373,776	420,155	2,793,931
1970-1971[b]	2,352,833	446,595	2,799,428
1969-1970[b]	2,324,516	453,356	2,777,872
1968-1969[b]	2,273,517	477,484	2,751,001
1967-1968[b]	2,215,328	528,014	2,743,342
1966-1967[b]	2,159,239	558,156	2,717,395

[a]Estimate

[b]Actual

state aid per best six months WADA pupil shall be computed by multiplying the quotient of the assessed valuation per WADA pupil necessary to produce $120, divided by the district's equalized assessed valuation per WADA pupil, and multiplied by $120. In no case shall a district receive less than $48 per WADA pupil. The general apportionments and equalization quotas, as computed, are then increased by 25 percent. Districts are limited to a maximum increase in the claim amount to 25 percent in excess of a district's 1973-1974 actual entitlement.

The "Resource Equalizer" Formula guarantees each type of district (elementary, high school, and unit) access to a guaranteed wealth factor ($64,615 in elementary districts, $120,000 in high school districts, and $42,000 in unit districts) as measured by equalized assessed valuation per WADA pupil. The WADA pupil count contains additional weightings for ESEA-Title I pupils. The greater the percent of Title I eligibles in a district compared to the state average percent of Title I eligibles (18.52) multiplied by .375 provides a weighting to increase a district's WADA. The maximum weighting per Title I pupil is .75.

A district's operating tax rate (see appendix B) is a key variable in the Resource Equalizer Formula. A district's claim amount is computed by obtaining the product of the WADA times the difference between the state guaranteed resource per WADA pupil and the wealth per pupil times the operating tax rate. During 1974-1975, a district is eligible to receive the 1972-1973 actual entitlement plus the lesser of two-fourths of the difference between the projected claim amount (fully implemented) and the 1972-1973 entitlement or 25 percent in excess of the 1973-1974 actual entitlement. During 1974-1975, approximately 80 percent of Illinois districts will be reimbursed under the Resource Equalizer Formula. Of these, 95 percent are high school districts, 81 percent are elementary districts, and 74 percent are unit districts. Approximately 93 percent of Illinois pupils are enrolled in resource equalizer districts.

General State Aid Payment Schedule

Senate Bill 1395 amends the general state aid payment schedule. On or before the fifteenth day of each of the months of August through May a transfer of one-twelfth or so much as necessary of the appropriation shall be made to the Common School Fund. On or before the fifteenth day of June, a transfer of one-sixth or so much as necessary shall be transferred. The Governor retains the authority to advance payments by one month when deemed necessary or essential.

The Fiscal Year 1975 payment schedule is as follows:

MONTH	NUMBER OF PAYMENTS	VOUCHERING DATE
August	1 for July	August 21
September	1 for August	September 16
October	1 for September	October 15
November	1 for October	November 15
December	1 for November	December 16
January	1 for December	January 15
February	1 for January	February 18
March	1 for February	March 17
April	1 for March	April 15
May	1 for April	May 15
June	1 for May and June	June 16
Total	Eleven payments are scheduled to be made during the period, July 1, 1974, through June 30, 1975.	

The $1,058 billion appropriation is insufficient to reimburse 100 percent of Fiscal 1975 general state aid claims. Fiscal 1975 general state aid claims will be prorated at approximately 97.5 percent of a district's net claim amount.

Requirements for Participation in General State Aid Funding

Any school district which fails to meet the standards as established for recognition by the Superintendent of Public Instruction for any given year, is ineligible to file any claim upon the Common School Fund for such school year. In case of non-recognition of one or more attendance centers in a school district otherwise operating recognized schools, the claim of the district shall be reduced in proportion to the average daily attendance in the attendance center, or centers, bears to the average daily attendance in the school district. Also, any district with an ADA for the school term of less than 15 for grades K-8 or less than 60 for grades 9-12 must obtain special approval from the Superintendent of Public Instruction and the superintendent of the educational service region to be eligible to receive general state aid.

Pupils enrolled in nonpublic schools may be enrolled concurrently in public schools on a shared time or dual enrollment plan and may be included as claimable pupils by public school districts. Nonpublic pupils are counted as one-sixth ADA for each class hour (40 minutes or more) in attendance in a public school district. Exceptional children attending approved private institutions, either inside or outside the State, may be included as claimable pupils on the basis of days attended if the district pays the tuition costs. For handicapped children below the age of six years who cannot attend two or more clock hours because of handicap or immaturity, a session of not less than one clock hour may be counted as one-half day of attendance. A session of not less than one clock hour teaching of hospitalized or homebound pupils on-site or by telephone to the classroom may be counted as one-half day of attendance; however, these pupils must receive four or more clock hours of instruction to be counted for a full day of attendance.

Open Campus

Formal Legal Opinion Number 8, as issued by the Office of the Superintendent of Public Instruction authorized secondary schools, with OSPI approval, to adopt an "open campus" scheduling plan. However, an average of five clock hours of school work per day must be scheduled for each calendar month exclusive of travel time. Example computations of days of pupil attendance allowable are:

1. A school is in session 20 days during the month. The minimum hours of attendance would be 100 (5 x 20). If an "open campus" pupil attends class 100 or more clock hours during the month, the district may claim 20 days of pupil attendance for the month.

2. In the same district, if the pupil attends 90 clock hours during the month, the district may claim the pupil for 18 days of pupil attendance for the month (90 divided by 5).

Act-of-God Days

Senate Bill 1140 (1973) amended Section 18-12, The School Code of Illinois, to allow the Superintendent of Public Instruction to waive the one percent penalty due to a district's failure to conduct school the minimum school term. This waiver is applicable only in situations whereby the district was unable to conduct school

due to an act of God. The School Approval Section, Office of the Superintendent of Public Instruction, is the approving unit within the State Education Agency.

School Calendar

Senate Bill 250 (1973) amended Section 18-8 by authorizing districts to utilize for parent-teacher conferences up to a maximum of four days of the five days of the school calendar which may be three or more clock hours for teacher inservice training programs.

Handicapped Children

Exceptional children from three to 21 years of age, including physically handicapped maladjusted, educable mentally handicapped, trainable mentally handicapped, and speech defective children qualify as claimable pupils for general state aid purposes. The pupils are eligible to be claimed for one-half day of pupil attendance when in attendance one clock hour or more if prior approval is obtained from the Superintendent of Public Instruction.

Supplementary State Aid Claim

Districts with more than a two percent increase or decrease in ADA during the first calendar month of the 1974-1975 school year compared with the best six months' ADA, 1973-1974, are eligible to file a supplementary state aid claim with the respective educational service region superintendent on or before October 15. The law requires the filing of a supplementary state aid claim by newly organized districts for 1974-1975, by districts that have annexed adjacent districts and/or a portion of an adjacent district(s), and by districts that have had a portion annexed to an adjacent district(s). Supplementary state aid claims are estimated claim amounts.

A district's state aid entitlement is limited to an amount 25 percent in excess of 1973-1974 actual entitlements. This limitation will prohibit some districts from receiving additional revenues during 1974-1975.

Summer School State Aid

Districts are reimbursed for an approved summer school program as provided in Section 18-8, The School Code of Illinois. The basic requirements for eligibility are as follows: (1) the pupil must be enrolled in courses offered during the regular school term; (2) the pupil must be enrolled in one or more courses for at least 60 clock hours in the summer session; and (3) there shall not be a summer school tuition charge. The claim amount is determined by converting pupil clock hours in attendance into school days, the days into a school year, weighting by 1.25, and multiplying the result by the estimated 1974-1975 state aid entitlement for each best six months' ADA pupil. Adjustments are made to summer school claims when the actual state aid entitlement is determined.

Additional provisions in the statutes permit reimbursement for special education summer school pupils on a weighted average daily membership pupil count when the 60 clock hour requirement and/or the course offered during the regular school year requirement is waived with prior approval by the Superintendent of Public Instruction. Summer school claims must be filed with the superintendent of the educational service region on or before October 15. It is estimated that 340 districts conducted approved summer school programs during 1974 with state reimbursement of approximately $22 million. Payments are made in full to the eligible districts in December.

State Impaction Aid

Districts are eligible to file a state impaction aid claim when five percent or more of the grade K-12 pupils in the district have parents or guardians employed by the State of Illinois, or any of its agencies, or in any state office building maintained and operated by or for the State of Illinois. A district's claim amount is one-half of the difference between the 1973-1974 per capita tuition charge and the 1973-1974 general state aid per best six months' ADA pupil, multiplied by the 1973-1974 ADA of eligible impaction pupils.

The law provides for a reduction in the claim amount when pupils attend a state university laboratory school except when a state university ceases to operate such a school, then the deduction shall be deleted from the claim filed on September 15 immediately following the closing of school. Impacted pupils in Strayer-Haig districts claimed under a state-owned housing claim are deleted from the state impaction claim. One-half of the district's claim for 1974-1975 which utilizes the prior year's data is payable in December, 1974; the remaining one-half is payable in June, 1975.

Second year resource equalizer districts are ineligible for state impaction categorical aid reimbursement during Fiscal Year 1975. The rationale for state impaction claims is that the place of employment of state employees is exempt from property taxes. This results in a loss of tax revenue to the local school district. The State guarantees resources (equalized assessed valuation per WADA pupil) under the Resource Equalizer Formula; therefore, there is no categorical additional funding to state impacted resource equalizer districts.

Superintendents and Assistant Superintendents of Educational Service Regions

The General Assembly determines salaries of the superintendents of educational service regions according to the population of the region served as documented by the 1970 federal census. Salaries range from $18,500 in regions with less than 16,000 population to $29,500 in regions of 1,000,000 or more population. Assistant superintendents of the educational service regions receive annual salaries based on qualifications and computed as a percent of the salary of the respective regional superintendent. County boards of supervisors may provide additional compensation for the superintendent and/or assistants. Senate Bill 1324 includes $4,125,000 to pay 1974-1975 salaries.

Supervisory Expense Fund

Monthly payments in the amount of $83.33, totaling $1,000 per year, are payable to the superintendent of each educational service region for expenses necessarily incurred to provide supervisory service in the region. On or before October 1 each year, regional superintendents submit to the Superintendent of Public Instruction a certified statement showing expenditures from this fund. The appropriation for 1974-1975 is $102,000 (Senate Bill 1324).

Orphanages and Children's Homes, or State-Owned Housing Pupil Tuition Claims

Section 18-3 of The School Code authorizes eligible districts to file a claim for the annual tuition cost for the preceding school year of pupils from orphanages, children's homes, or state-owned housing who attend grades kindergarten through 12 of the public schools maintained by that school district. The previous year's per capita tuition charge multiplied by the ADA of the pupils is the amount to be certified to the superintendent of the educational service region on or before September 15. Section 18-3 payments are limited to regular pupils residing in orphanages

and children's homes attending a district's regular classes. Eligible special education programs are approved and reimbursed by the Department of Exceptional Children, Office of the Superintendent of Public Instruction. The Fiscal Year 1975 Section 18-3 appropriation for regular pupils from orphanages, children's homes, or state-owned housing is $2,275,000 (Senate Bill 1324). The distribution to eligible districts is made annually in December.

Resource equalizer districts cease to be eligible for state-owned housing categorical reimbursement. Previously, these pupils were nonclaimable for general state aid purposes but currently they are claimable pupils by resource equalizer districts

Tax Equivalent Grants

When a state institution is located in a school district where the State owns one-eighth or more of the total land area of the district and there are pupils who are members of families employed in the institution that attend public schools in the district, or when any state institution is located in a school district having not more than 250 pupils enrolled and five percent or more of the pupils are members of families employed in the institution, the district is eligible for the filing of a claim for a tax equivalent grant on or before August 15 of each year. The grant shall equal the amount of taxes, based upon the tax rate for school purposes in the district, which would be paid if the land was privately owned. The 1974-1975 appropriation is $130,000 (Senate Bill 1324).

House Bill 1628 (1971) permits school districts that experienced tax revenue losses exceeding $10,000 to file a tax equivalent grant claim when a federal facility or establishment is located upon land donated to the Federal Government by the State of Illinois. In computing these claim amounts, the district's 1968 equalized assessed valuation is utilized. Grants authorized to qualifying school districts are limited to five years from the effective date of the Act.

Resource Equalizer Formula districts include 1971-1972 tax equivalent grants in the 1972-1973 base entitlement. Tax equivalent grants for 1972-1973 were honored from resource equalizer districts; however, 1973-1974 tax equivalent grant claims will be honored only from Strayer-Haig Formula districts.

Teachers' Retirement

The State appropriated $123,000,000 to the Common School Fund for the Teachers' Retirement System of the State of Illinois and $34,464,600 to the Common School Fund for the Chicago Teachers' Retirement System. Senate Bill 1271 contains $1,000,000 to the Downstate Teachers' Retirement System for age and disability supplementary payments. The Act also contains $645,100 in escheat funds for distribution to the Downstate Teachers' Retirement System. Senate Bill 1281 contains $250,000 for supplementary payments to the Chicago Teachers' Retirement System. House Bill 2827 contains $7,400,000 for minimum retirement allowances as provided in Section 16-136.2 of The Illinois Pension Code. The total state appropriation for teachers' retirement is $166,759,100.

CATEGORICAL AIDS

Pupil Transportation (Regular, Vocational, and Special)

Regular

The State reimburses the cost of transporting eligible pupils (those who reside one and one-half miles or more from the attendance center) less a qualifying amount (the district's equalized assessed valuation multiplied by a qualifying

tax rate of .05 percent in elementary districts, .03 percent in high school districts, and .07 percent in K-12 districts). The minimum claim for a district is the amount computed in the formula, or $16 multiplied by the number of eligible pupils, whichever is greater.

House Bill 4466 (1972) deleted the maximum four-fifths reimbursement limitation which previously existed in the Transportation Reimbursement Formula. A district shall be eligible to receive the total amount in excess of four-fifths of the cost to transport eligible pupils if the district had a Transportation Fund tax rate of .12 percent or more. For districts with a Transportation Fund tax rate less than .12 percent, the amount of the claim in excess of four-fifths of the cost to transport eligible pupils shall be reduced by the sum arrived at by subtracting that district's tax rate from .12 percent, and multiplying the difference by the district's equalized assessed valuation. This reduction cannot, however, decrease the reimbursement below the four-fifths level.

Senate Bill 1324 contains $32,400,000 to reimburse districts for the 1973-1974 regular and vocational transportation claims. Finance and Claims personnel submitted vouchers to the State Comptroller during September in the amount of $32,399,994.70. Payments were prorated at 91.740696 percent to all eligible districts.

Vocational and Special

Any school district transporting resident pupils to an area vocational school more than one and one-half miles from the school attended, or transporting resident pupils to another school district's vocational program offered through an approved joint agreement, or with a junior college providing advanced training of students in the eleventh and twelfth grades desire participation for a trade, or exceptional children requiring special transportation service, shall be reimbursed four-fifths of the allowable cost of such transportation by the State. This includes a reasonable allowance (15 percent each year) for depreciation of the vehicle so used. Vocational education transportation reimbursements for 1973-1974 claims totaled $1,116,188.40. Monies for special education transportation reimbursement are included in Senate Bill 1324 in an amount of $18,500,000. The Finance and Claims Section submitted vouchers to the Comptroller's office during September in the amount of $18,499,995.24. Payments were prorated at 88.736455 percent to all eligible districts.

Special Education Summer School Transportation

Senate Bill 1395 amends Section 29-3.2a of The School Code. The amendment provides that no charge shall be made for transportation of handicapped pupils as defined in Sections 14-1.02 through 14-1.07. School districts providing such transportation shall be reimbursed four-fifths of the allowable cost as defined in Section 14-13.01.

Senate Bill 1395 was signed into law by the Governor on August 26, 1974. Districts providing approved special education transportation to approved special education programs shall be eligible to file for state reimbursement through the respective regional superintendent during 1975 for the summer school transportation costs incurred following the 1974-1975 regular school term through June 30, 1975. Claims for the period, July 1, 1975, to the opening of the 1975-1976 regular term and following the 1975-1976 regular school term through June 30, 1976, will be filed in 1976.

Transportation Grants to Mass Transit Companies and/or Districts

The General Assembly appropriated $10,500,000 (Senate Bill 1345) in grants to publicly and privately owned transit systems as established under existing law which provide up to half fare reductions in rates for transportation of pupils to and from school.

Driver Education

The State reimburses a district that conducts an approved driver education course for the per capita cost, not to exceed $10, for each pupil who successfully completes the classroom instruction, and $40 for each pupil who successfully completes the practice driving. Reimbursement is payable from the Driver Education Fund in the State Treasury. The 1974-1975 appropriation is $9,500,000 which is included in Senate Bill 1324.

Continuing Education

The State and Federal Governments jointly fund various continuing education programs. State financing in the amount of $4,500,000 is for payment of education costs for recipients of public assistance. These are special classes of instruction and training offered by public schools, community colleges, and private and nonprofit educational agencies to adults and youths whose formal education has been interrupted. The school districts under the Adult Education Act of 1967, Article 2, Section 3-1 of The School Code of Illinois, are state supported in the amount of $2,000,000 for Americanization and general educational development programs. The reimbursement to local educational agencies from the State for adult basic education is $500,000. Total State support for continuing education is $7,000,000.

Federal program funding for Fiscal Year 1975 amounts to $2,400,000 for adult basic education, and $117,100 for program administration.

Special Education

The State reimburses school districts for personnel who perform services for special education programs. The reimbursement includes one-half of the teacher's salary for hospital or home instruction, but not more than $1,000 per pupil, or $5,000 per teacher, whichever is less. Districts receive $5,000 for a full-time special education director, $5,000 for each school psychologist, and $5,000 for each qualified teacher working in a fully approved program for children of preschool age who are deaf or hard-of-hearing. Districts receive one-half the salary, but not more than $400 annually per child, for readers working with blind or partially sighted pupils. For each professional worker not included above, the annual sum of $5,000 is provided. One-half of the salary, or $2,000 annually per employee, whichever is less, is reimbursed for necessary noncertified employees working in special education programs. State reimbursement is available to eligible districts for 1/185 of the amount or rate paid to special education personnel when the school or program exceeds the adopted school calendar to a maximum of 235 days. The 1974-1975 appropriation for reimbursement to school districts for services and materials for the use of handicapped children under Section 14-13.01, The School Code of Illinois, is $65,125,000 (Senate Bill 1324).

Special Education Traineeships, Fellowships, and Contracts

The Superintendent of Public Instruction may make traineeship or fellowship grants to persons for study in special education programs, and/or contract with any approved institution of higher learning in Illinois that offers special education

courses. The State appropriation for 1974-1975 is $500,000 (Senate Bill 1324).

Tuition for Handicapped Pupils Attending Nonpublic Schools or Special Education Facilities

Section 14-7.02, The School Code of Illinois, states that a school district shall pay the actual cost of tuition charged for handicapped pupils attending nonpublic schools or special education facilities for special services, or $2,000 per year, whichever is less. School districts paying these tuition costs are eligible for reimbursement for the amount of such payments in excess of $600 per student. These pupils are claimable pupils for general state aid purposes.

If a nonpublic school or special education facility provides a summer school program, then the tuition charge, or $500 per summer, whichever is less, is a permissible school district expenditure. School districts paying these tuition costs are eligible for reimbursement for the amount of such payments in excess of $100 per student. These pupils are also claimable for state summer school reimbursement. The Fiscal Year 1975 appropriation is $8,700,000.

Tuition for Pupils Attending Low Incidence Classes in Public Schools

House Bill 4366 (1972) added Section 14-7.2a to The School Code of Illinois. This bill provided state reimbursement to school districts for costs of extraordinary special education and facilities for the handicapped in excess of $600 up to $2,000 per pupil. The district's educational program for these pupils must be approved by the Superintendent of Public Instruction. The Fiscal Year 1975 appropriation is $2,080,000.

Special Education Pupils from Orphanages, Children's Homes, State-Owned Housing Units, Foster Homes, Other State Agencies, or State Residential Units

House Bill 1790 (1973) added Section 14-7.03 to The School Code of Illinois. Reimbursement to school districts for providing educational services to exceptional children residing in orphanages, children's homes, state-owned housing units, foster homes, other state agencies, or state residential units is through the Department of Exceptional Children, Office of the Superintendent of Public Instruction. This includes approved special education classes conducted by the district on site. The Fiscal Year 1975 appropriation of $2,075,000 is for reimbursement to school districts which provide for education of handicapped orphans from residential institutions as well as foster children who are mentally impaired or behaviorally disordered.

House Bill 1790 also allowed eligible districts to be reimbursed on a current basis when at least five percent of the total pupils in average daily attendance are pupils included in Section 14-7.03. Quarterly claims may be submitted by eligible districts. The first three quarterly claims are to be paid on an estimated basis with final adjustments made to the last quarterly claim. The Department of Exceptional Children, Office of the Superintendent of Public Instruction, has issued guidelines covering Section 14-7.03.

Special Education Facilities

House Bill 69 (September 23, 1971) limited the use of special education building purposes tax revenues to the construction and maintenance of special education instruction facilities. A school district, upon proper resolution of the school board may accumulate such funds for a period of eight years. However, no such accumulation shall ever be transferred or used for any other purpose.

The State provides $1,000 for each professional special education worker in a district in order to share in the building costs of special education facilities provided that the district has made a levy for special education construction monies and there remains a shortage of necessary funds. The 1974-1975 appropriation amounts to $7,785,000.

Special Education Materials

A line item appropriation in Senate Bill 1324 of $200,000 provides for the production, procurement, storage, and distribution of special educational materials for visually handicapped children and adults.

Special Education Scholarships

The State reappropriated $145,000 from federal education scholarship funds. The funds are for stipends to teachers and reimbursement to eligible higher education institutions.

Gifted Pupil Programs

The 1974-1975 state appropriation for gifted pupil programs amounts to $3,750,000 to be transmitted as follows: $3,000,000 to school districts for services and materials for gifted children programs; and $750,000 for contracts with school districts, colleges, and universities for operation of area service centers for the education of gifted children.

Vocational Education

The State and Federal Governments jointly finance vocational education and manpower training programs. The state appropriation (House Bill 2364) for reimbursement of these programs amounts to $14,905,900; approximately 60 percent of this amount will be reimbursed to the common schools. The remainder will be distributed to community colleges and/or higher education institutions. State administration support amounts to $857,800 and an additional $90,000 for advisory council studies. Total state funding amounts to $15,853,700.

Federal support for vocational and technical education is as follows: $21,522,500 for vocational and technical education and to state educational institutions, $1,157,100 for administration, $5,400,000 for distribution to schools and/or training agencies for manpower development and training programs, $106,000 for administrative expenses of the State Advisory Council on Vocational Education and a $71,000 grant for administrative expenses of federal curriculum laboratory. Total federal funding amounts to $28,256,600.

Free Lunches and Breakfasts for Needy Children

The state appropriation for reimbursement to school districts providing free lunches and breakfasts to needy pupils is $11,500,000. Illinois law requires all public schools to provide free lunches to pupils from families whose income is at or below federally established guidelines. Nonpublic schools may participate in the free lunch program on a voluntary basis. A pupil eligible for free lunch is also eligible for free breakfast when the respective school participates in the breakfast program. The public school lunch program is mandatory; however, the breakfast program is voluntary. State reimbursement is fifteen cents for free lunches and free breakfasts. Approximately 300,000 of the approximate 1,000,000 daily lunches served to Illinois school pupils are free.

Federal reimbursement per eligible pupil is forty-nine and one-half cents for a lunch and sixteen and one-half cents for a breakfast when the family income is below a certain level. All type "A" lunches are federally reimbursed at eleven cents.

In addition, Federal Law guarantees no less than ten cents in food commodities for each lunch served. If market conditions make it infeasible for the United States Government to buy commodities, then schools may receive part of the ten cent commodity guarantee in cash. The Illinois General Assembly re-appropriated federal funds in the amount of $32,400,000 to fund the free lunch and breakfast programs and the reduced price lunch and breakfast programs.

The Illinois General Assembly also re-appropriated $1,900,000 of federal funds for nonfood assistance programs. The Federal Special School Milk Fund appropriation of $6,400,000 is for the school milk and demonstration centers programs.

Office of the Superintendent of Public Instruction

The following amounts are appropriated to meet the ordinary and contingent expenses of the Office of the Superintendent of Public Instruction:

Division	Fund Source	Amount
General Office	State - General Revenue	$ 833,700
Educational Planning and Management	State - General Revenue	4,491,200
	Federal ESEA-Title V	1,350,500
Governmental Relations	State - General Revenue	591,700
	Federal Education Fellowship Funds	55,000
Supervision and Instruction	State - General Revenue	3,579,800
	State - Driver Education	237,800
	Federal Adult Education, ESEA-Title I, Title II, Title VI, EEO, Instructional Materials, Right-to-Read, Deaf-Blind, Migratory, Multi-Unit, Follow Through, NDEA-Title III	3,063,200
Pupil and Professional Services	State - General Revenue	2,179,900
	Federal ESEA-Title III and Food Service	701,200
Total:	State - General Revenue	11,676,300
	State - Driver Education	237,800
	Federal	5,169,900

Senate Bill 1272 contains $17,500 for the salary of the Superintendent of Public Instruction during the period, July 1, 1974, through January 1975.

Capital Development Board

During 1973, the General Assembly passed, and the Governor signed into law, five pieces of legislation to provide state support to school districts for facilities. Monies were made available for construction and debt service.

Senate Bill 1424 (1974) provides the following amounts for the old School Building Commission program, the new Capital Assistance program, and for vocational technical.

Program	New Funds	Re-appropriated Funds	Total
School Building Commission	-0-	$ 16,107,559.05	$ 16,107,559.05
Capital Assistance	$50,000,000.00	85,000,000.00	135,000,000.00
Vocational Technical	6,000,000.00	14,504,163.81	20,504,163.81
Total	$56,000,000.00	$115,611,722.86	$171,611,722.86

Senate Bill 1396 amends the Capital Development Board Act by allowing a school district which is not approved as a school construction project to be eligible for debt service grants on bonds issued after October 1, 1973.

House Bill 2741 provides that if any of the appropriated debt service funds are unneeded, the surplus funds may be used for grants for the acquisition, development, construction, reconstruction, rehabilitation improvement, architectural planning and installation of capital facilities for educational purposes.

Bilingual Programs

Senate Bill 1324 contains funds in the amount of $2,500,000 for school districts under 500,000 population which provide programs in a language other than English for those children whose first language is other than English. Upon receiving program approval from the Superintendent of Public Instruction, districts will be paid for required services and materials. The bill also provides $5,500,000 for payment to the Chicago public schools for bilingual programs meeting Superintendent of Public Instruction standards. The total appropriated for bilingual programs is $8,000,000.

House Bill 2426 appropriates an amount of $300,000, or so much thereof as may be necessary, to the Illinois Scholarship Commission for payment of language grants to students eligible to receive such awards.

School Problems Commission

A $63,000 appropriation is included in House Bill 2303 for the School Problems Commission. Of this amount, $33,000, or so much thereof as may be necessary, is for the ordinary and contingent expenses of the commission. The sum of $30,000 or so much thereof as may be necessary is appropriated to conduct a comprehensive study of the financing of special education.

This commission created by the General Assembly to survey and study problems pertaining to Illinois public schools. A later article is devoted to the commission.

State Board of Education

House Bill 2852 contains $149,400, or so much as may be necessary, to meet the ordinary and contingent expenses of the State Board of Education.

Commission on Urban Education

House Bill 2303 contains $12,500 for payment of the ordinary and contingent expenses of the Commission on Urban Education.

Department of Corrections School District

The Department of Corrections, State of Illinois, through the Department of Corrections School Board operates a school district. Approximately $1,700,000 is included in the Department of Corrections Fiscal Year 1975 appropriation for the district.

Full Year Feasibility Studies

House Bill 4264 (1972) authorized school districts to file an application with the Office of the Superintendent of Public Instruction to obtain state fiscal support to conduct full year school feasibility studies. Districts are also eligible to receive reimbursement for expenditures resulting from making a transition to a full year school plan. Senate Bill 1324 (1974) provides $25,000 for financial assistance to school districts operating on a continuous school year plan under the full year incentive program.

ADDITIONAL FEDERAL EDUCATION PROGRAMS

In addition to the previously referenced federal funds available for continuing education, vocational education, and school food service support, other federal monies are available.

Elementary and Secondary Education Act (ESEA)

Title I, Educationally Deprived Children

The Illinois General Assembly reappropriated $80,857,600 to local education agencies for the operation of approximately 700 programs for approximately 400,000 educationally deprived pupils. Part A of the program is for handicapped children in state-operated and supported institutions. Handicapped pupils in facilities operated by the Department of Children and Family Services and the Department of Mental Health receive the benefits.

Title I, Part A, Migrant Children

The State receives federal grants for the purpose of initiating, improving, and expanding programs to meet special needs of children of itinerant farm workers and children of farm workers who have settled out of the migrant stream. The State reappropriation in the amount of $686,400 was made for Fiscal Year 1975. Of this amount, $585,800 is for grants to eligible school districts. The remaining amount of the appropriation is for program administration.

Title I, Part C, Urban-Rural

This program is for the purpose of meeting the special education needs of disadvantaged children concentrated in urban and rural areas. Unexpended Fiscal Year 1974 monies will be utilized to fund Fiscal Year 1975 programs. Only school districts with a high concentration of Title I eligibles qualify for urban-rural programs. Approximately $2,600,000 will be available during Fiscal Year 1975.

TITLE II, School Library Resources

The Illinois General Assembly reappropriated $5,200,000 for financial assistance for school library resources which includes books, periodicals, documents, audio-visual materials; textbooks, and other instructional materials. More than two and one-half million public and nonpublic pupils will be served through grants made during Fiscal Year 1975.

Title III, Exemplary Programs

The Illinois General Assembly reappropriated $6,100,000 for grants to local education agencies for the development of innovative and exemplary education programs and supplementary educational centers. The funded projects include curriculum and instruction, dropout prevention, inservice education, multi-service centers, teacher mini-grants, and other discretionary funded projects. Project grants are also available for special programs and projects for handicapped pupils. The public school programs may include independent, private, or parochial pupils.

Title IV, Right-to-Read

The Illinois General Assembly reappropriated $228,000 for the purpose of increasing the functional literacy of individuals 16 years of age or over. The Illinois program provides a training institute to prepare reading teachers, curriculum coordinators, media specialists, and administrators who are capable of establishing community oriented right-to-read programs.

Title V, State Education Agencies

Title V of the Elementary and Secondary Education Act is designed to strengthen state departments of education. The Illinois General Assembly reappropriated $1,350,000 to the Office of the Superintendent of Public Instruction for Fiscal Year 1975 activities.

Title VI, Parts B and C, Education of the Handicapped

The Illinois General Assembly reappropriated $1,900,100 for financial assistance for initiation, expansion, and improvement of programs and projects for the education of handicapped children at the preschool elementary and secondary level. There are 13 cooperative programs serving low-prevalence handicapped children in the areas of vision, hearing, orthopedic, profound mental retardation, emotionally disturbed, and multiply handicapped. Additional specialized services are available to the pupils. The State reappropriation of federal funds in the amount of $89,550 is for grants to provide deaf-blind children with services. Consultation services with parents, teachers, and others involved with the welfare of deaf-blind are included.

Title VI, Part D, Handicapped Teacher Education

A State reappropriation of $145,000 was made to improve the quality and increase the supply of special education teachers. Stipends are made available to the teachers and payments are made to institutions of higher education which provide the services.

Title VI, Part F, Instructional Media for the Handicapped

The State reappropriated $226,400 to the Office of the Superintendent of Public Instruction to support a regional instructional materials center. The Office provides intrastate centers which provide a loan service of materials, demonstrations, inservice training, and the development of materials.

Title VII, Bilingual Education

Federal financial assistance is available to local school districts for regular school, early childhood, dropout, and adult education programs. Approximately 15 projects will be funded in the amount of approximately $2,250,000 during Fiscal Year 1975.

Title III, National Defense Act

The Illinois General Assembly reappropriated $3,228,600 for the acquisition of laboratory and special equipment and materials, and for the expansion of services within the Office of the Superintendent of Public Instruction. The Illinois plan has a funding formula which requires local district matching on an equalization basis.

Federally Impacted Areas

Public Law 81-815

Public Law 815 provides assistance to school districts for the construction of urgently needed school facilities in those districts which have substantial increases in enrollments resulting from federal activity or for those districts which are in an area that has been declared a major disaster area. Local districts make applications through the Office of the Superintendent of Public Instruction; however, payments are made directly to the applicant districts by the United States Office of Education. During Fiscal Year 1973, Illinois districts received a total of $27,186 under this program.

Public Law 81-874

This federal program was initiated during the early 1940's to compensate school districts for the effect of federal activity that reduces the amount of taxable property in the district. More than 200 Illinois school districts receive funds under this program. During Fiscal Year 1973, Illinois districts received $9,898,343.91. Federal legislation (H.R. 69) which was signed into law August 21, 1974, expands Public Law 874 to allow reimbursement for type "C" pupils. These are pupils residing in federal low-rent housing. However, it is very unlikely that federal funds will be available for these pupils until Fiscal Year 1976. Additional Illinois districts will become eligible for Public Law 874 funding due to inclusion of type "C" pupils.

Emergency School Aid Act, Public Law 92-318

This federal program provides financial assistance for the following purposes:

1. To encourage the voluntary elimination, reduction or prevention of minority group isolation in elementary and secondary schools with substantial proportions of minority group students.

2. To aid school children in overcoming the educational disadvantages of minority group isolation.

3. To meet special needs incident to the elimination of minority group segregation and discrimination among students and faculty in elementary and secondary schools.

Drug Abuse Education Act

This Federal Act encourages the development and dissemination of a drug abuse curriculum, and encourages training programs for teachers and community education programs for parents. Federal monies of approximately $30,000 are available during Fiscal Year 1975 to provide an out-of-school setting for young people with drug problems. The programs include counseling services, inservice training for staff, pamphlets, materials, and parent education.

School Lunch Commodities

The Federal Government, through the United States Department of Agriculture, supports school lunch programs by providing agricultural commodities. The commodities are used to implement the food service programs. Approximately 4,000 schools (attendance centers) participate in this program. The estimated value of the commodities for 1974-1975 is approximately $13 million.

Economic Opportunity

The State reappropriated $26,400 to the Office of the Superintendent of Public Instruction to sustain gains made by children during the Federal Headstart Program. Four public school districts and one parochial school derive state assistance to sustain gains made during the Headstart years.

Equal Educational Opportunities Fund

Senate Bill 1324 contains $324,300 of reappropriated federal funds for administering the Equal Educational Opportunities Act.

SUMMARY

A summary of State and Federal funding is presented on the following two pages.

SECTION III

ASSESSMENT PRACTICES

Local support for public schools is derived from taxes levied on the assessed valuation of real property and corporate personal taxable property as equalized by state assessment ratios. House Bill 446 (1972) defined "fair cash value" to mean 50 percent of the full market value of both real and personal property. If property is assessed at fair cash value, a county multiplier of one is assigned. Seven counties had a 1973 assessment ratio of less than one which means that property was assessed at more than fair cash value.

Property Tax Legislation - 1973

Senate Bill 192 provided for a privilege tax on mobile homes. The tax schedule is computed by the county clerk at a rate of 15 cents per square foot. This is not a limitation on any home rule county. Individuals 65 years or older, with an annual net income of $4,000 or less, who own a mobile home(s), and who are actually residing in such mobile home, pay 80 percent of the aforementioned privilege tax. The county treasurer collects and distributes mobile home taxes to the local taxing district wherein such homes are located. Taxes are to be distributed in the same proportion as the property taxes collectible for each such taxing district in the prior year. The revenues from the privilege tax on mobile homes should be recorded in Account Number 401.2, Payment in Lieu of Taxes. These tax monies may be recorded in any fund for which the district is authorized to make expenditures.

Senate Bill 173 amended the Revenue Act to clarify that all public school property is exempt from taxation. This includes all property of public school districts not leased by such districts or otherwise used with a view to profit.

SUMMARY OF STATE FUNDING

Common School Fund	$ 1,222,096,600
Distributive Fund	1,058,000,000
Other Common School Funds	
Downstate Teachers' Retirement	123,000,000
Chicago Teachers' Retirement	34,464,600
SESR's and ASST's. Salaries	4,125,000
Supervisory Expense Fund	102,000
Orphanages, Children's Homes, and State-Owned Housing	2,275,000
Tax Equivalent Grants	130,000
Supplementary Appropriation or Transfers for Fiscal Year 1974	17,001,923[a]
Distributive Fund	12,331,000
Orphanages and Children's Homes	1,008,100[a]
Special Education Grants	1,500,000[a]
Special Education Buildings	1,283,000[a]
Chicago Parental School	879,823[a]
Driver Education	9,500,000
Continuing Education	7,000,000
Gifted	3,750,000
Special Education	86,465,000
Bilingual Programs	8,000,000
Transportation	61,400,000
Regular and Vocational	32,400,000
Special Education	18,500,000
Mass Transit	10,500,000
Food Services	11,500,000
Twelve Months' Incentive	25,000
Capital Development Board	171,611,722.86[b]
Vocational Education	15,853,700[c]
60% = $9,312,220	
State Board of Education	149,400
School Problems Commission	63,000
Urban Education Committee	12,500
OSPI Administration	11,676,300
State Superintendent's Salary	17,500
Department of Corrections School District	1,700,000 est.
Bilingual Scholarships	300.000
Teachers' Retirement	9,295,100
Local Government Tax Study Commission	50,000
Senate and House Joint Study Committee	20,000 est.
	$ 1,626,275,342.86

[a]The transfer appropriations totaling $4,670,923 are not included.

[b]The Capital Development Board amount contains $56,000,000 in new money and $115,611,722.86 of reappropriated funds.

[c]For State support shown in Table I, only 60 percent of the vocational education appropriation is included.

SUMMARY OF FEDERAL FUNDING FOR PROGRAMS AND ADMINISTRATION

	FY 1975 PROGRAMS	FY 1975 ADMINISTRATION
Continuing Education	$ 2,400,000	$ 117,100
ESEA		
I Compensatory Education	80,857,600	865,600
I Part A, Migratory Children	585,800	100,600
I Part C, Urban Rural	2,600,000	
II School Library Resources	5,200,000	243,800
III Innovative Programs	6,100,000	600,000
IV Right-to-Read		228,000
V State Education Agencies		1,350,500
VI Handicapped	1,900,100	100,000
VI Part C, Deaf-Blind	89,550	45,450
VI Part D, Special Education Fellowships	145,000	55,000
VI Part F, Instructional Materials		226,400
VII Bilingual	2,250,000	
NDEA III	3,228,600	100,200
Food Services	53,986,537	101,200
Needy Lunch and Breakfast	32,400,000	
Nonfood	1,900,000	
Food Services		101,200
Milk	6,400,000	
Commodities	13,286,537	
Vocational Education	27,099,500	1,157,100
Follow Through State Technical Assistance		26,400
Equal Education Opportunities		324,300
Federal Impact Aid	15,000,000	
Emergency School Aid	5,872,000	
Drug Abuse		32,263
Civil Rights Act of 1964	324,000	
Highway Safety	983,000	
Forest Preserves and Oil	40,000	
Educational Fellowships	200,000	
Model Cities	8,702,152	
	$206,724,039[a]	$5,211,073[a]
Federal Fiscal Assistance Act, 1972	223,000,000 est.[b]	

[a]This total only includes 60 percent of $27,099,500 appropriated for vocational education programs and 60 percent of the vocational education administration monies.

[b]These monies to be included in general state aid payments made during Fiscal Year 1975.

Senate Bill 255 provided that the owner of real property on January 1 shall be liable, on a proportionate basis, for the increased taxes for the previous calendar year occasioned by the construction of new or added buildings, structures, or other improvements on such property.

House Bill 174 provided that in counties of 200,000 or more which classify real property for taxation purposes, condominiums occupied by the owner as a residence for a minimum of six months during the year and cooperatives so owned and resided in shall be assessed as single family residences in such counties. This Act is effective with 1974 assessments and thereafter.

House Bills 211 and 1588 amended the Revenue Act to allow a person in any county using real property of ten acres or more in an area for farming or agricultural purposes to have the property assessed at a value for farming or agricultural purposes. The property must have been used for farming or agricultural purposes for the three years immediately preceding the year when the assessment is made.

House Bill 483 created the Local Government Tax Study Commission which shall make recommendations on legislation no later than March 15, 1974. The 20-member commission shall study the Revenue Act in relation to the deductions and exemptions from taxation found in the Revenue Act and the effect that such deductions and exemptions have on the ability of units of local government and school districts to properly finance their programs. In particular, the commission shall study the effect of the abolition of the personal property tax on individuals and the forthcoming abolition of the corporate personal property tax. An appropriation in the amount of $50,000 is contained in House Bill 2303 (1974) to fund the necessary expenses of the commission.

Senate Joint Resolution 10 (1973) created a special joint subcommittee of the Senate and House Revenue Committee to study the property tax and to make recommendations for its improvement to the General Assembly. Senate Bill 1318 (1974) contains $50,000 for the ordinary and contingent expenses of the joint subcommittees of the Illinois General Assembly.

House Bill 999 added a new section to the Revenue Act which provides for the fair apportionment of the burden of taxation of property situated in taxing districts that lie in more than one county and where one county classifies real property for taxation purposes. The Department of Local Government Affairs may on its own initiative or at the request of numerous publics cause an assessment ratio study to be made in each township wherein there is overlapping taxing districts.

Senate Bill 138 required the preparation and mailing of estimated tax bills in counties having 1,000,000 or more inhabitants (Cook) by January 31, 1974. The estimated first installment shall be deemed delinquent after March 1, annually. By June 30, each year, the actual tax bill shall be prepared and mailed. The balance due is deemed delinquent after August 1, annually.

The county board of any downstate county with a population of less than 3,000,000 may, by ordinance or resolution adopted prior to September 15 of any year, adopt the accelerated method of real estate tax billing. The county board may subsequently rescind such ordinance or resolution, but only in a year other than that in which the original ordinance or resolution was adopted. As of September 15, 1974, Lake County is the only downstate county that has adopted the accelerated method of real estate tax billing. School districts receiving taxes under the accelerated method of tax billing prior to knowing the actual proration should use the prior year's proration schedule. If the district is informed of the actual proration prior to July 1, then the district should make the necessary

adjustments. If the district does not know the proration by July 1, the auditor should make the necessary adjustments retroactive to June 30.

PROPERTY TAX LEGISLATION - 1974

Fees for Tax Collections

House Bill 194 was signed into law on August 26 by Governor Walker. The law authorizes county boards to pass an ordinance permitting county collectors to determine county costs for extending and collecting taxes. Each taxing district would pay its proportionate share of the costs of extending and collecting taxes. A taxing district's share is to be determined by cost analysis by an independent auditing firm. Each taxing district would be billed after the tax collections had been distributed to all taxing districts. It is highly probable that Attorney General Scott will be requested to provide a ruling on the constitutionality of House Bill 194 and/or a test case will be submitted to the Illinois Supreme Court for a decision.

Circuit Breaker Legislation

House Bill 2790 provides additional tax relief to eligible claimants. A claimant (one who pays rent or lives in his own residence) qualifies for an amount of 25 percent of the gross rent paid in a taxable year for a residence or last year's property taxes, exceeds four percent of the claimants annual household income. However, in no event is the state grant to exceed $500 less five percent of his annual household income. For example, a claimant with an annual income of $5,000 and a $400 tax bill would receive a state grant of $200. An individual with a $5,000 income and a $500 tax bill would be limited to a state grant of $250.

Some individuals who reside in a nursing home or sheltered care home may qualify for a state grant by calculating into the reimbursement formula the gross rent attributable to the cost of housing that was paid in the taxable year. The gross rent figure shall exclude any costs of meals or care.

A mobile home resident may qualify for a state grant by inserting in the formula "the amount of the mobile home privilege tax paid during the calendar year" for the term property taxes were paid.

Cook County Multiplier - House Bill 2868

House Bill 2868 provides that the county clerk in Cook County, for 1973 taxes only, extend and collect taxes in a sum or sums equal to the amounts levied and certified to the county clerk prior to May 1, 1974, for each fund of a taxing district with a tax rate limitation. However, the tax extension shall not exceed the greater of:

(a) The product of any applicable tax rate limitation times the district's 1972 equalized assessed valuation, or

(b) The maximum otherwise provided by law.

Tax Rate Rollback - House Bill 2753

Legislation enacted during 1973 (HB 1484) and amended during 1974 by House Bill 2753 will provide some tax relief in high operating tax rate districts. School districts, regional superintendents, and county clerks have been mailed information applicable to 1974 operating tax rates and how a district may maintain part or all of a high operating tax rate.

LEVYING PROCEDURES

Each board of education may make an annual levy in terms of dollar amounts. The county clerk is charged with the responsibility for making extensions of taxes levied within the constraints of the school district tax rate limitations. Receipt and transfer of these monies to the school district treasurer is usually accomplished through the office of the county treasurer.

TAX RATE LIMITATIONS

Table 5 shows school district tax rate limitations in effect for the 1974-1975 school year. Data concerning interest rate limitations are also included in the table.

INTERFUND TRANSFERS

Boards of education may cause the transfer of monies from one fund to another under the following conditions:

Excess Bond and Interest Fund Monies

Section 19-4, The School Code of Illinois, permits the board of education, by resolution, to transfer any funds remaining in a Bond and Interest Account when bonds were issued under Section 19-2 through 19-6 and the purpose for which those bonds were issued are paid in full. Those remaining funds are to be transferred to the fund of the district which bears the nearest relation to the purpose for which the bonds were issued.

Working Cash Fund

The board of education of any school district, by resolution, may abolish its Working Cash Fund and transfer any balance to the Educational Fund at the end of the fiscal year. Outstanding interfund loans from the Working Cash Fund to the Operations, Building, and Maintenance Fund shall be paid to the Educational Fund at the end of the fiscal year. Uncollected Working Cash Fund taxes, when collected, shall be paid into the Educational Fund (Section 20-8).

Educational Fund to Operations, Building and Maintenance Fund

House Bill 2367 (1971) added Section 17-2a to The School Code of Illinois. The law authorizes any school district with less than 500,000 inhabitants, upon proper resolution and without voter approval, to transfer from the Educational Fund to the Operations, Building and Maintenance Fund of the respective district, an amount not to exceed 30 percent of the taxes actually received in the Operations, Building and Maintenance Fund for the year previous to the transfer. Such a transfer, however, may only be made in any year that the total assessed valuation of taxable property in the school district is less than the district's 1969 assessed valuation.

BORROWING OF MONIES

Since many school districts must borrow money, it is essential for school board members and administrators to understand the various ways borrowing may be accomplished so that the best plan for the specific needs of the district may be adopted. The terms and conditions of borrowing money are dependent on the credit rating of the district.

TABLE 5

SCHOOL DISTRICT TAX RATE LIMITATIONS 1974-1975
(Chicago District #299 not included)

Levy	District Type	Without Referendum (%)	With Referendum (%)
Educational Fund	K-8	0.920[a]	3.00
	9-12	0.920[a]	3.00
	K-12	1.600	4.00
Operations, Building, and Maintenance Fund	K-8	0.250	0.55
	9-12	0.250	0.55
	K-12	0.375	0.75
Capital Improvements Fund	All	0.000	0.06
Transportation Fund	All	0.120	0.20
Summer School	All	0.000	0.15
Bond and Interest Fund	All	Not App.	As Needed
Rent Fund	All	Not App.	As Needed
Illinois Municipal Retirement Fund	All	As Needed	Not App.
Tort Immunity (Liability Insurance)	All	As Needed	Not App.
Working Cash Fund	All	0.050	Not App.
Fire Prevention and Safety[b]	All	0.050	0.10
Community College Tuition	9-12	As Needed	Not App.
	K-12	As Needed	Not App.
Special Education Building Program	K-8	0.020	Not App.
	9-12	0.020	Not App.
	K-12	0.040	Not App.
Area Vocational Education Building Program	9-12	0.000	0.05
	K-12	0.000	0.05
Tort Judgment Bonds	All	As Needed	Not App.

[a]Subject to possible backdoor referendum (Section 17-2.2).

[b]Boards of education may expend these tax revenues to meet state environment agency requirements (HB 1406, 1973).

The maximum interest rate for Tax Anticipation Warrants, Teachers' Orders, Working Cash Fund Bonds, Refunding Bonds, Tax Anticipation Notes, Building Bonds (Section 19-2 through 19-6), Fire Prevention and Safety Bonds, and Funding Bonds (Section 19-8 through 19-10) is seven percent.

There is no interest rate limitation on Tort Judgment Bonds.

The bonded debt limitation is six percent in dual districts and 12 percent in K-12 districts (certain exceptions exist).

There are many conditions within control of the school board that affect the credit rating of a district. Sound fiscal administration, efficiency of operation, and sound board policies help establish a favorable credit rating.

SHORT TERM BORROWING

Interfund Loans

The School Code of Illinois authorizes school districts to make interfund loans as follows:

Operations, Building and Maintenance Fund to Educational Fund or Transportation Fund (Section 10-22.33)

Educational Fund to Operations, Building and Maintenance Fund or Transportation Fund (Section 10-22.33)

Transportation Fund to Educational Fund or Operations, Building and Maintenance Fund (Section 10-22.33)

Working Cash Fund to Educational Fund or Operations, Building and Maintenance Fund (Section 20-4)

Monies that are temporarily idle and/or surplus in specific funds may be loaned to cover anticipated interim needs in certain other funds, as cited above. Such monies shall be repaid to the proper fund within one calendar year, except Working Cash Fund loans which must be repaid upon the collection of taxes. Exceptions to the payment of Working Cash Fund loans exist when tax anticipation notes are outstanding.

Contract Purchasing of School Buses

A school board, by resolution, may enter into a contract for the purchase of buses to be paid for within a three-year period from the date of the resolution (Section 10-23.4).

School Sites and Office Facilities

A board of education may buy or lease school building sites and school offices. The purchase of such sites or office facilities may be by contract for deed with a maximum of ten years (Section 10-22.35a).

Tax Anticipation Notes

House Bill 4628 (1972) authorized any school district to issue general obligation notes in an amount not to exceed 75 percent of the taxes permitted to be levied for educational purposes. No notes shall be issued during any fiscal year in which there are tax anticipation warrants outstanding against the tax levied for said fiscal year.

The notes shall bear interest at a rate not to exceed seven percent and shall mature within two years. A board of education is required to adopt a resolution fixing the amount of notes, the date thereof, the maturity thereof, the rate of interest thereof (unless the notes are to be sold by public bid), the place of payment, and denomination (which shall be in equal multiples of $1,000). The

board resolution also provides for the levy and collection of a direct annual tax upon all taxable property in the district sufficient to pay the principal and interest on the notes to maturity.

When tax anticipation notes are outstanding, it is the duty of the county clerk to reduce the specific tax rate by the percentage necessary to produce an amount to pay the principal of, and interest on the outstanding notes. However, when the district has established a Working Cash Fund, the tax rate shall not be reduced below the amount necessary to reimburse any money borrowed from the Working Cash Fund. It shall be the duty of the clerk, or secretary of the district, annually, and not less than 30 days prior to the tax extension date, to certify to the county clerk the amount of money borrowed from the Working Cash Fund that is to be reimbursed from the specific tax levy. No reimbursement shall be made to the Working Cash Fund until an amount sufficient to pay the principal of, and interest on the notes to maturity has been accumulated from the tax levy.

The notes shall be executed in the name of the district by manual or facsimile signatures of district officials designated by the resolution. At least one signature on each note shall be a manual signature.

The notes may be issued in excess of any statutory debt limitation and shall not operate to reduce the debt incurring power otherwise authorized for the district. The issuance of notes does not require a referendum.

Tax Anticipation Warrants

When there is no money in the treasury to pay the necessary expenses of the district, a school board may issue warrants, or may provide a fund by issuing and disposing of warrants drawn against, and in anticipation of, any taxes for payment of necessary district expenses. Such warrants may be issued to a legal maximum of 75 percent of the total amount of the tax levied. The warrants show upon their face that they are payable in the numerical order of their issuance solely from such taxes when collected and such taxes to be set aside and held for their payment. Every warrant bears interest payable out of the taxes against which it is drawn, at a rate not exceeding seven percent per annum from the date of issuance until paid, or until notice is given that the money for the warrant is available (Section 17-16).

Teachers' Orders

Wages of teachers are paid in a manner agreed upon by the school board, but at least one payment shall be made during each school month. The board issues and delivers an order to the school treasurer for the amount of salary due. Teachers' orders must be issued when due, even though there is no money in the Educational Fund, and the orders become a liability against future Educational Fund revenue of the district.

The school treasurer cannot pay out funds of a district except upon an order of the school board signed by the president and clerk, or secretary, or by a majority of the board. When teachers' orders are presented to the treasurer and cannot be paid because of lack of funds, the treasurer endorses the orders over his signature "not paid for want of funds," marks the date of presentation and records the endorsements. After an endorsement, the order bears interest at a rate of not more than seven percent per annum, until the treasurer notifies the clerk or secretary, in writing, that he has funds to pay the order. The order shall draw no interest after notice is given to the clerk or secretary (Section 8-16).

Special charter districts having a population of less than 500,000 may issue to teachers and employees of the district, orders in payment of salaries (Section 32-4.14).

LONG TERM BORROWING

Working Cash Fund Bonds

For the purpose of creating a Working Cash Fund, the school board of a district having a population of less than 150,000 may incur an indebtedness by issuance of bonds in an amount not exceeding in the aggregate, 75 percent of the taxes permitted to be levied for educational purposes for the current year. The 75 percent limitation is applied to a base figure determined by multiplying the maximum Educational Fund tax rate by the last assessed valuation as determined at the time of the issuance of the bonds. Issuance of these bonds is subject to approval of the electorate if a petition with the signatures of not less than 20 percent of the voters in the district is filed within ten days following publication of the district's intent to issue Working Cash Bonds.

The Working Cash Fund may be created by issuance of bonds and/or by resolution of the school board to levy an annual tax not to exceed .05 percent. Working Cash Fund monies shall be used only for the purposes provided. Monies in the fund shall not be regarded as current assets available for school purposes and shall not be used by the school board in any manner other than to provide monies with which to meet ordinary and necessary disbursements for salaries and other school purposes. The monies may be loaned to the Educational or Operations, Building and Maintenance Fund and shall be deemed to be loaned in anticipation of the amount necessary to pay any outstanding tax anticipation warrants and interest thereon (Sections 20-1, 20-2, 20-3, 20-4, and 20-7).

Funding Bonds

Occasionally, obligations are created that cannot be met from current revenue. These obligations may be paid by issuing funding bonds. Before issuing bonds, the school board must adopt a resolution declaring its intention to issue bonds for the purpose provided. The notice of intent to issue bonds to pay claims must be published or posted in the district.

The notice informs a district's voters both of the school board's intention to issue bonds and that bonds will be issued unless a petition requesting an election is presented to the board within 30 days from the date of the notice. If a petition signed by at least ten percent of the district's legal voters is filed requesting the school board to call an election, an election must be held before the bonds can be issued (Sections 19-8 and 19-9).

Refunding Bonds

Refunding bonds may be issued to pay the outstanding obligations of a district such as bonds and interest due when funds are not available for their payment, or reissuing callable bonds (which have not matured) at a lower rate of interest. If the district's indebtedness does not exceed the constitutional limitation at the time the bonds are issued, these bonds may be refunded by issuing refunding bonds at a later date. Refunding bonds may be issued without a referendum (Section 19-16).

Fire Prevention and Safety Bonds

School districts may issue Fire Prevention and Safety Bonds without referendum. House Bill 1406 (1973) amended Sections 17-2.11 and 17-2.11a, The School Code of Illinois. The amendment to Section 17-2.11 authorized school districts to expend fire prevention and safety tax revenues for the protection and safety of the environment, pursuant to the "Environmental Protection Act." The tax revenues may be utilized to alter or reconstruct any school building and/or equipment. The amendment to Section 17-2.11a authorizes boards of education to issue bonds, without referendum, for environmental protection and safety purposes. The intent of the legislation concerning the issuance of these bonds is to expedite the rehabilitation of buildings to meet fire prevention and safety standards and to meet environmental regulations.

Building and School Site Bonds

A school district is not required to hold a referendum to purchase a building site, but there must be a favorable vote by the voters of a district before bonds may be issued or a building constructed. Expenditures for the purchase of a building site and additions to existing structures may be made from the Operations, Building and Maintenance Fund without approval of the voters. School boards shall not accumulate monies from taxes for building purposes and the purchase of school grounds unless there is voter approval for this action (Section 17-5.1). A favorable referendum must be held to authorize acquisition of a residential site for the school district (Sections 19-2 and 19-3).

Recording of District Funds

Tax revenues are to be prorated according to the tax extension into the respective account and/or fund upon receipt. General state aid monies received by "resource equalizer" districts may be recorded into any fund for which the district is authorized to make expenditure. However, "Strayer-Haig" Formula districts must continue to record all general state aid monies in the Educational Fund. The revenues from the privilege tax on mobile homes should be recorded in Account Number 401.2, Payment in Lieu of Taxes. These tax monies may be recorded in any fund for which the district is authorized to make expenditure. School districts receiving taxes under the accelerated method of tax billing (Senate Bill 138, 1973) prior to knowing the actual proration should use the prior year's proration schedule. If the district is informed of the actual proration prior to July 1, then the district should make the necessary adjustments. If the district does not know the proration by July 1, the auditor should make the necessary adjustments retroactive to June 30. Other revenue, whether from local, state, or federal sources, must be recorded to the respective account number as designated in the Illinois Financial Accounting Manual for Local School Systems.

SECTION IV

ACTIVITIES OF THE ILLINOIS FINANCIAL ACCOUNTING COMMITTEE

Mr. Paul E. Glick

One of the advisory committees to the Office of the Superintendent of Public Instruction (OSPI) appointed by Superintendent Bakalis is the Illinois Financial Accounting Committee. This committee is charged with improving school district accounting procedures and reviewing proposed and existing legislation affecting school district financial affairs. The committee members include school business managers, township school treasurers, certified public accountants, the Executive Secretary of the Illinois Association of School Business Officials, a staff member of an educational service region, and selected OSPI employees involved with the committee's activities.

During Fiscal Year 1974, the committee contributed considerable effort toward monitoring the Program Accounting Project (a separate discussion of this project is presented later).

Other Fiscal Year 1974 activities included:

1. Reviewing numerous drafts of OSPI Student Activity Fund rules, regulations, and guidelines.

2. Reviewing the 1973-1974 School District Annual Financial Report.

3. Endorsing the 1974 workshops for independent certified public accountants who audit local education agencies.

4. Reviewing the method of calculating the per capita tuition charge.

5. Reviewing proposed legislation affecting the fiscal operations of school districts.

6. Reviewing Section 18-8 legislation as incorporated in House Bill 2753.

7. Participating in workshops and conferences at Northern Illinois University, Southern Illinois University, IASBO Annual Meeting, and the joint IASA-IASB Annual Meeting.

8. Reviewing a special education cost study prepared by Ernst and Ernst.

Committee activities during Fiscal Year 1975 are centered around the following subcommittees: Fund Consolidation, Accrual Accounting and Reporting, Program Accounting Project, Manpower, Joint Agreements, Auditing, Activity Funds, Intergovernmental Relations, and The Governor's Task Force on School Business Management.

A PROGRESS REPORT OF ACTIVITIES FOR IMPLEMENTATION OF THE ILLINOIS PROGRAM ACCOUNTING MANUAL FOR LOCAL EDUCATION AGENCIES

Mr. Paul E. Glick

BACKGROUND

The U. S. Department of Health, Education, and Welfare, Office of Education, has recognized a need for better school budgeting and accounting exists in many states. Accordingly, it has recently revised Handbook II, Financial Accounting, Classifications and Standard Terminology for Local and State School Systems. Handbook II is a part of the State Educational Records and Report Services, and was distributed to all state educational agencies in July, 1973. In February, 1972, the Illinois Financial Accounting Committee recommended to Superintendent Bakalis that the new Handbook II be used as a basis for developing a revised Illinois Program Accounting Manual.

ACTIVITIES - June, 1972 -- July, 1974

In April, 1972, OSPI solicited "Request for Proposals" from accounting and consulting firms which included:

1. Revising the Illinois Financial Accounting Manual for Local School Systems.

2. Training and implementing the system in six pilot school districts.

The contract was awarded to Robert Davis Associates, Atlanta, Georgia. The contractor completed the following activities:

1. June 1, 1972, to August 31, 1972 - Prepared preliminary draft of the proposed accounting manual.

2. October, 1972 - Trained six pilot districts in implementation of the Program Accounting Manual.

3. November 1, 1972, to June 30, 1973 - Supervised implementation preparation.

4. July 1, 1973, to December 31, 1973 - Prepared final draft of Program Accounting Manual.

5. July 1, 1973, to June 30, 1974 - Monitored pilot districts.

6. February 1, 1974, to June 30, 1974 - Supervised implementation.

In addition, the contractor and OSPI sponsored seven orientation and four follow-up workshops for those school personnel interested in the feasibility of implementing the manual. More than 200 participants representing 137 districts attended the orientation workshops. The orientation workshops were designed to familiarize participants with the IPAM for LEA's and the workshop evaluations documented that this task was accomplished in a positive manner.

ACTIVITIES - FISCAL YEAR 1975

A statewide distribution of the Illinois Program Accounting Manual was made. Additional activities for Fiscal Year 1975 include:

1. Developing an implementation manual.

2. Developing a slide presentation.

3. Completing Volume II (user's manual).

4. Conducting ten regional workshops to assist local education agencies with implementation.

5. Providing limited technical assistance to those local education agencies planning implementation July 1, 1975.

FINANCING CAPITAL FACILITIES

Dr. Robert A. Burnham

For many years the responsibility for financing public school construction in Illinois has been borne predominantly by local school districts. Until 1973, the principal sources of school building funds were local general obligation bond issues and local building fund levies. Over the years, the State increased its modest share of support through a state loan program for relatively impoverished and/or rapid growth districts at or near their bonding limit and by a minor grant program for the construction of special education facilities. In 1973, however, the Elementary and Secondary School Capital Assistance Program was established to provide substantial amounts of state money to finance public school construction and to aid districts in making principal and interest payments on recently incurred bonded indebtedness.

Local Provisions

Current Sources

The Operations, Building and Maintenance Fund and the Site and Construction Fund are the primary funds to which expenditures for facilities and improvements are charged. In addition to the above two funds, some capital and replacement equipment may be purchased with monies from the Educational Fund and the Capital Improvement Fund. School districts maintaining grades K-12 may establish a cumulative Operations, Building and Maintenance Fund within the legal limit of .75 percent tax rate per dollar of equalized assessed valuation. This must be done with the approval of the voters. Accumulation of funds by this method can be used for school building purposes, but cannot exceed statutory debt limits.

Bond Issues

If a school district chooses not to participate in the Capital Assistance Program discussed below, it has complete responsibility for the initiation of bond issues and state approval is not necessary. The issue must be approved at a special election by a majority of the qualified electorate who participate. School bonds may be issued for capital outlay not to exceed six percent of the equalized assessed valuation of an elementary district (K-8) or a high school district (9-12). A grade K-12 district's debt limit is the composite of the dual limits or 12 percent of the equalized assessed valuation. With voter approval, a district may exceed the above debt limitation for building facilities if the bond issue represents the district's share of an approved Capital Assistance Program project.

Only serial bonds may be issued for a maximum period of 20 years at a maximum permissible interest rate of seven percent. As bonds are sold, the proceeds from the issue are placed in the Site and Construction Fund.

State Provisions

In the past, the Illinois support program provided only nominal aid for facilities construction through a loan program, through special education grants and through vocational education grants. However, in 197[illegible] landmark grant program was initiated for construction and debt service purposes.

Sources

Prior to the 1973-1974 school year, the state loan program administered by the Capital Development Board (formerly the School Building Commission) was the primary source of state aid to construct common schools. The Capital Development Board received a state appropriation to fund for loans to districts that had reduced their bonding power to less than $5,000. The loans were interest free and were repaid at the rate of six percent per year, or in 16-2/3 years. Local school boards were authorized to levy a special tax sufficient to provide rental payments. The levy to authorize the project and the rental payments had to be approved by a majority of those voting in a referendum. Title to the facility remained in the name of the State of Illinois until the entire project cost was repaid. Over 150 school buildings were completed for Illinois school districts participating in the rental program following its inception in 1958.

A grant program for special education housing was established in 1967. Under Section 17-2.2a, The School Code of Illinois, dual districts that levy a .02 percent tax rate and unit districts with a .04 percent tax rate for a special education building fund may receive a state allocation of $1,000 per special education professional employed to be used for building purposes. Funds may be accumulated over a period not to exceed eight years, or may be spent annually, to repay the cost of special education housing. Such housing is to be used for instructional programs, diagnostic services, and other special education services for handicapped children. Districts may use up to 50 percent of the current year's special education reimbursement toward completion of a building project if the special education housing levy fails to provide sufficient funds.

Elementary and Secondary School Capital Assistance Program of 1973

The Elementary and Secondary School Capital Assistance Program of 1973 (Public Acts 78-220 through 78-224) was enacted by the General Assembly and signed into law by the Governor on July 19, 1973, to provide financial assistance to eligible local school districts for certain construction and debt service needs. The Capital Assistance Program is administered by the Capital Development Board (CDB) with responsibility for developing eligibility and priority standards held by the CDB and OSPI.

The program is designed (1) to provide assistance for the acquisition, construction, development, reconstruction, rehabilitation, improvement, architectural planning, and installation of buildings, structures, durable equipment, and land to enable the schools to provide essential educational services; and (2) to provide assistance for payment of principal and interest required to be made by local school districts on capital improvement bonds issued after January 1, 1969. In 1974, the Governor signed into law Senate Bill 1396 which removed an earlier constraint making debt incurred after October 1, 1973, ineligible for debt retirement assistance. Now, building and improvement bonds issued after January 1, 1969, and extending into the indefinite future, are eligible for debt service assistance if the bonds are not otherwise involved with an approved Capital Assistance Program construction grant.

Program Guidelines in Brief

School districts desiring to participate in the Capital Assistance Program assess their own needs and possible eligibility according to the guidelines jointly adopted by the CDB and the OSPI. Participants submit to the CDB and to OSPI through the educational service regions a District Facility Plan. This plan describes the need for facilities to house safely and adequately the school district's pupils, staff, and programs. Components of the District Facility Plan present data and analysis of existing facilities, buildings under construction, and projected enrollments. Based on this information, space needs expressed in terms of unhoused students are determined. Solutions to space needs are presented in an Educational Project Proposal. Grant applications request financial assistance in developing a specific portion of the project proposal and/or for assistance in meeting annual principal and interest payments on eligible bonded indebtedness incurred after January 1, 1969.

To be eligible for a construction grant a school district must have a defined space need represented by unhoused and/or inadequately housed students, or by students housed in substandard facilities. The capacity of existing facilities for instructional purposes is calculated by using square footage capacity standards for various instructional purposes. Space need is documented in the District Facility Plan and a defined project to satisfy the need is detailed on the Educational Project Proposal. Information on the condition of existing facilities, the capacity of adequate facilities, and numbers and percent of unhoused students are used in the computation of the Unhoused Student Index (USI). The USI aids in establishing priority for grant entitlement awards and is the product of the number of unhoused students and the proportion of unhoused students to the total district enrollment -- the higher the USI the higher the priority.

A Recognized Project Cost is computed for construction grant purposes based on space standards (not to be confused with the capacity standards mentioned above) and unit cost allowances. The space standards allocate so many gross square feet per student and vary according to the grade level involved, subject to minimum size, efficiency, and economy of scale considerations. Unit costs, as established by the CDB and expressed in dollars per square foot, multiplied by the space standards for the number of students to be housed yield the Recognized Project Cost. This latter figure includes building construction five feet out from the foundation,

mechanical services, architectural and engineering fees, legal fees, and fixed equipment. Certain associated costs of site improvement, land acquisition, movable equipment and utilities may be included as deemed appropriate by the CDB.

The State's share of the Recognized Project Cost is determined by the Grant Index, and equalization formula arrangement as follows:

> The Grant Index for any district is equal to one minus the ratio of the district's equalized assessed valuation per weighted average daily attendance (WADA) pupil to the equalized assessed valuation per WADA pupil of the district at the 90th percentile for all districts of the same type.

The Grant Index for any district shall be no less than .20 nor greater than .70. OSPI computes and publishes annually each district's Grant Index. The Recognized Project Cost multiplied by the Grant Index for an approved construction project constitutes the amount the CDB shall expend for a project. Thus, the State's share of the Recognized Project Cost for a district with low assessed valuation per pupil may reach 70% with the remaining 30% representing the district's share. A school district may supplement the proportion of money it contributes to the total project for facilities considered essential to the local educational program. The local district's share for financing the project must be submitted to a referendum when required by law.

A debt service grant is calculated by applying the Grant Index to one-half the annual principal and interest payment due on eligible outstanding bonds (e.g., those issued after January 1, 1969, for capital facilities purposes).

NOTE: Revised guidelines, standards, and application forms to be distributed to all public school districts prior to December 1, 1974, should be consulted for specific details on procedures to be followed in applying for grants.

Appropriations

The initial program legislation authorized $300,000,000 for construction and $100,000,000 for debt retirement purposes over a four-year period. The appropriations for 1973-1974 consisted of construction grants of $50,000,000 for districts with populations less than 500,000 plus debt service grants of $25,000,000 for those same districts, and construction grants of $25,000,000 for districts with populations exceeding 500,000 (Chicago School District Number 299).

Appropriations for 1974-1975 amounted to approximately $135,000,000. Of this amount, $85,000,000 was reappropriated to cover unexpended monies earmarked for 1973-1974 -- the original $25,000,000 for construction grants for districts of over 500,000 population, the $50,000,000 still to be disbursed for construction grants to districts with populations less than 500,000, and $10,000,000 for unvouchered debt service. Although the General Assembly had passed a $100,000,000 appropriation for the Capital Assistance Program for 1974-1975, the Governor reduced this amount through his amendatory veto powers to $50,000,000. Thus, the $50,000,000 in new money plus the $85,000,000 reappropriated provides $135,000,000 in total for the program in Fiscal Year 1975. The $50,000,000 of new money, however, represents a lump sum appropriation; there is no specific designation in the amended appropriation of the proportions to be distributed for debt service, construction grants in Chicago, nor construction grants in other districts. The apparent legislative intent was to apportion the available new funds on the same basis as the original appropriation, e.g., one-half for construction grants to districts with populations under 500,000, one-fourth for debt service to those same districts, and one-fourth for construction grants in districts with populations exceeding 500,000.

Summary of 1973-1974 Awards

A total of 485 districts applied for grants; 294 for debt service and 191 for construction grants during the program's first year of operation. Construction grants were awarded on a priority basis and 196 project applications were ranked in priority order as determined by the unhoused student index. Grant entitlements were approved for the top 44 projects in the priority list. Thirty-eight school districts were applicants for the 44 grant entitlements approved; 24 grants were approved on April 12, and 20 on June 13, 1974. The districts then had 90 days in which to pass bond referenda or otherwise provide the local share of the recognized project cost for each project. By mid-August, referenda involving 31 projects had been held: 25 projects were approved and six failed. Referenda were pending for 11 more projects, and two other projects were withdrawn. This necessarily complex process of award and local approval accounts in part for the failure to expend any construction money and less than half the debt service money during Fiscal Year 1974.

The 44 grant entitlements mentioned above totaled $77,474,096 and involved individual projects ranging in total cost from $926,700 to $9,803,221. The grant index, representing the state and local share of the recognized project cost, ranged from .3904 to .7000 (the maximum state share). The average state share of projects in terms of actual dollars amounted to $1,775,300.

A total of 294 debt service grants were approved by the CDB in Fiscal Year 1974, totaling $11,411,062. Grants are vouchered to local school districts as notices of abatement of local taxes are received by the CDB. An estimated $17-18 million in debt service applications are anticipated during Fiscal Year 1975 under the extended eligibility period for bonded indebtedness (e.g., for bonds issued after January 1, 1969, to the close of the most recently completed state fiscal year).

First Annual Review

An annual evaluation of the Capital Assistance Program is called for in the program guidelines to determine the extent to which statutory mandates are being met, fiscal equity is achieved, and program objectives are efficiently accomplished. A Task Force for Evaluation and Revision of the Capital Assistance Program Guidelines was assigned the responsibility for reviewing the Guidelines and making recommendations to the agencies involved and the General Assembly. In keeping with the provisions of the Guidelines, the Task Force includes representatives of concerned legislative, executive, and client groups. Members of the Task Force are:

Dr. Robert A. Burnham, Research Director
School Problems Commission
Chairman

Mr. Richard Carlson, Assistant Director
Illinois Bureau of the Budget

Dr. Richard Carrabine, Superintendent
Bloom Township High School District
(Representing IASA)

Mr. David Elder, Legislative Assistant
Senate Education Committee

Dr. Vern Feiock, Consultant
Chicago Board of Education

Dr. Jon Peterson, Research Analyst
Office of the Superintendent of Public Instruction

Mr. David P. Rinker, Deputy Director
Capital Development Board

Mr. Sam Weigle, Board Member
Elmhurst School District #205
(Representing IASB)

The evaluation process for revision of the guidelines is nearing completion as this publication goes to press.

Implementation of an innovative and untried program of the scope and complexity of the Capital Assistance Program is problematical at best.

- Despite diligent efforts by the administering agencies, there were instances of poor communications resulting in a lack of understanding of the program.

- Confusion arose over what constituted unsatisfactory conditions in determining "unhoused students" when such students were inadequately housed in substandard facilities, i.e., not meeting fire prevention and safety standards. Probably all students assigned to such substandard facilities should be considered "unhoused," thus, encouraging replacement and renovation of such facilities.

- Inappropriate interpretation of the guidelines with regard to substitutability of space created problems for unit districts with, for example, surplus space at the elementary level and a shortage at the secondary level. Such spaces are not necessarily functional equivalents and the guidelines should be revised accordingly.

- The ninety-day time period for passage of bond referenda has been judged insufficient.

- Ways are being considered to accommodate emergency needs for facilities, and to provide for the school facility replacement and rehabilitation needs of more districts.

These and similar matters are being investigated by the Task Force in consultation with numerous groups.

Much of the contention over the first year's operation is related to a diminution of prerogatives for decision-making by local school districts when they choose to participate in a state-controlled financial assistance program. Local school boards believe they are in the best position to make decisions on architect selection, local options for supplementing the provision of basic facilities, school site selection, and setting project priorities. The built-in program evaluation process will result in recommendations to the CDB and OSPI to resolve many of the administrative shortcomings identified in this first year of the program. Legislative action will be recommended if more fundamental changes are necessary.

Continued evaluation and refinement of the program should lead to the provision of improved services to local school districts. The CDB and OSPI have

taken the lead in seeking creative and efficient alternatives to school facility design and construction. Greater emphasis has been placed on utilizing "found" space, such as converted commercial buildings: multiple usage of space; joint occupancy or joint ownership, such as recreation and school district usage; and improved design, management, and construction techniques.

The Capital Assistance Program has been an unprecedented effort by the State to provide financial support for local public school facilities needs. The grant index or sharing feature contributes to the equalization of support by providing a larger State share to poorer districts than to the wealthy. It is believed that much of the backlog of school building need in population growth areas and the need for larger, high priority projects have been taken care of by grant entitlements awarded during the program's first year. Awards this year, hopefully, will begin to satisfy more of the demand for replacement and renovation of school buildings throughout the State.

Illinois has indeed entered a new era in public school capital financing.

THE ILLINOIS SCHOOL PROBLEMS COMMISSION

Dr. Robert A. Burnham

Illinois is unique in many ways, not the least of which is the way the State's educational policy-making function has been organized. When the State Board of Education (SBE) takes over its duties in January, 1975, as the state-level public school policy-making body, it will be the first time in Illinois' history that a state board of education exists. Since 1949, the School Problems Commission (SPC) has served in lieu of a state board of education. Paradoxically, the bill establishing the State Board of Education (House Bill 661) was drafted and sponsored in 1973 by the SPC.

Superintendent Bakalis serves as a member of the SPC and there is a history of cooperation between the OSPI and the SPC extending over the years. In the past, the Commission's voice on public school policy has been regarded by many as being preeminent. For the next few years, the State Board of Education and the School Problems Commission undoubtedly will share in the policy-making role, but the precise form of that relationship is yet to unfold.

Introduction

Although repeated proposals have been made over the years (commencing in 1870) for establishing a state board, one is just coming into being. Not until the basic educational governance issues were debated and decided at the Constitutional Convention in 1970, did it appear that a change in the structure of State education could be accomplishe For the first half of this century, it was not clearly recognized that a partisan-elected superintendent was expected by his constituency, the General Assembly, and the educational community to perform incompatible roles, thus lessening his capacity to exert leadership. The General Assembly, the state educational agency, and a variety of intermediate and local school districts were involved in educational policy-making that represented a total diffusion of responsibilities making effective educational policies nearly impossible.

After nearly five decades of seeking solutions to educational policy issues through temporary legislative commissions, the General Assembly in 1949 established the first School Problems Commission -- again as a temporary advisory commission to the legislature. Four successor commissions were established between 1949 and 1957 to study and recommend improvements in basic policy areas such as school district organization and school finance.

The permanent School Problems Commission was created in 1957 by the 70th Illinois General Assembly. By statute, the Commission's membership consists of five members of the Senate appointed by the President of the Senate, five members of the House of Representatives appointed by the Speaker of the House, five public members appointed by the Governor, the Superintendent of Public Instruction, and the Director of the Bureau of the Budget. The appointed members serve two-year terms.

The membership and staff of the current School Problems Commission are as follows:

SENATORS

Harris W. Fawell, R-Naperville
Bradley M. Glass, R-Northfield
Thomas C. Hynes, D-Chicago
Esther Saperstein, D-Chicago
David C. Shapiro, R-Amboy

REPRESENTATIVES

Arthur L. Berman, Chairman, D-Chicago
Robert E. Brinkmeier, D-Freeport
Charles W. Clabaugh, R-Champaign
Gene L. Hoffman, Vice Chairman, R-Elmhurst
Carl W. Soderstrom, R-Streator

APPOINTED BY THE GOVERNOR

Mr. William Adsit, Secretary, Milford
Mr. James Jepsen, Springfield
Dr. Curtis Plott, Springfield
Mr. Samuel Shepard, Jr., Park Forest
Mrs. Norella B. Welch, Mt. Vernon

SUPERINTENDENT OF PUBLIC INSTRUCTION

Dr. Michael J. Bakalis

DIRECTOR, BUREAU OF THE BUDGET

Mr. Harold Hovey

RESEARCH DIRECTORS

Dr. Robert A. Burnham, University of Illinois
Dr. Ben Hubbard, Illinois State University

CORRESPONDING SECRETARY

Mrs. Mildred Kittell, 217 South First Street, Springfield 62706

The Commission's Operation

This legislative commission has been the forum in which many major decisions concerning the State's role in education were made. The SPC has provided an arena to which interested individuals and groups could bring their concerns and introduce them into the legislative process. Educational problems reach the Commission in a variety of ways. On occasion, the General Assembly will direct the Commission to study a particular matter and make recommendations. As a continuing legislative commission, the SPC retains its own research staff which investigates and studies a variety of problems. Many problems are brought before the SPC through formal and informal contacts between Commission members and persons throughout the State with an interest in educational matters, such as school board members, association representatives, union leaders, concerned parents, students, and so forth. The SPC regularly holds public hearings at various locations across Illinois. The Commission encourages the public to attend these meetings and to testify on whatever educational matter is of concern to the individual. Additionally, special public hearings are scheduled to receive testimony on specific problems. These special hearings may be held by SPC subcommittees appointed to study complex matters in detail and to propose recommendations to the full Commission.

The SPC is empowered to study the problems of school district organization, further codification of school laws, administration of the common schools, adequacy and efficiency of the state aid formula, methods of acquiring adequate school revenue, and any other problems which may affect the general welfare of the schools.

The SPC has amassed an enviable record for successful legislation. Ten years ago, Masters and his colleagues commented, "The percentage of SPC recommendations accepted by the legislature is fantastically high when compared with the record of any other state commission."* That record is still intact for several reasons. The SPC's membership is representative of the General Assembly politically and geographically. The individual members have a common interest in educational problems and are well motivated as well as highly qualified to serve. The image of the SPC is one of a nonpartisan, hard-working and task-oriented group which combines educational expertise with political acumen. For example, Representative Clabaugh, who earned the title of "Mr. Education," through his long service to the Commission, was chairman for many years even when the opposing party held the majority of the seats on the Commission due to his widely acknowledged expertise and objectivity on school matters.

Recent Accomplishments

In addition to serving as a forum for educational legislation, the Commission prepares its own legislation and acts as an educational advocacy group. Substantial changes were made to the school aid formula in 1973 through House Bill 1484 which introduced the resource equalizer concept to Illinois and raised the foundation level dramatically. Representative Gene Hoffman, then Chairman of the SPC, cited House Bill 1484 which had been developed and sponsored by the Commission as one of its most significant accomplishments. When it appeared that the revised school aid formula might be funded at less than the 100 percent level for its second year of operation, the SPC, under the leadership of its new chairman, Representative Arthur L. Berman, drafted and strongly supported appropriation bills that fully funded the formula. These appropriation bills passed both houses of the General Assembly

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*Masters, Nicholas, et al., State Politics in Public Schools, N.Y.: Alfred A. Knopf, 1964, p. 149.

without a dissenting vote and the Governor signed them with only minor amendatory action.

School Bus Safety legislation (Senate Bills 1548 and 1549) researched, developed, and sponsored by Senator Glass and the Commission also became law in August, 1974.

During the latter part of 1974 and for the legislative session commencing in November, the SPC is focusing its attention on the continued monitoring of the state aid formula, a study of vocational-technical education, evaluation and improvement of the Capital Assistance Program, and a comprehensive study of special education funding.

The Board's and Commission's Future

The inclusion of the Superintendent of Public Instruction on the SPC has resulted in genuine cooperation between the agency and the Commission. The Superintendent makes available to the SPC all the available data and facilities of his administrative office to assist Commission members. He also makes legislative proposals to the SPC. The cooperation between the SPC and OSPI is exemplified by the comprehensive special education funding study mentioned above. This study was jointly commissioned by the SPC and OSPI. Representative Berman and Dr. Bakalis are co-chairmen of the Special Education Funding Subcommittee which sponsors the research study to be directed by Professor William McLure of the University of Illinois.

Given these precedents, there is every reason to believe that cooperation between the SPC and the SBE will be achieved and will serve Illinois in a most beneficial way. During the transition stages, there may be a sharing of the policy-setting function. One analyst predicts that as the SBE finds its way it will increasingly initiate legislation and the SPC will serve more as a deliberative body within the General Assembly.* Since the members of the General Assembly tend to recognize the Commission members as experts in educational policy matters, their influence will persist especially in the area of school fiscal policy. The SPC can serve the General Assembly and the State Board of Education by continuing to apply its unique combination of practical educational understanding and pragmatic political skill.

The State Board and the Commission probably can do far more for education during the next few years working as a team than they can as completely disparate groups.

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*Hurwitz, Emanuel, Jr., The Illinois Educational Decision-Making System. Evanston, Ill.: Northwestern University (Doctoral Dissertation), 1966.

RECENT SCHOOL FINANCE REFORM LITERATURE AND ITS IMPLICATIONS FOR ILLINOIS

DR. G. ALAN HICKROD

That the governance of American education by boards of laymen works as well as it does is probably traceable in part to the willingness of these laymen to try to keep abreast of the latest professional and scholarly literature. However, a decent respect for reality suggests that even the most dedicated new state board member, or new local board member, just might not get around to reading 600 to 800 pages of new materials now available on school finance reforms in the United States. This section is therefore provided to summarize some of these new materials, and more importantly, to comment upon what they might mean for the future of school finance reform in Illinois. We shall devote most of our attention to three important books on school finance that have appeared in 1974. These are: Answers to Inequity by Joel S. Berke, Planning for Educational Reform: Financial and Social Alternatives by Charles S. Benson and Others, and Economics of State Aid to Education by Elchanan Cohn.[1] We shall also mention a few important monographs, chapters, and reports that have appeared in the recent past.

For those who have only a modest knowledge of the widespread school finance reform movement which has been sweeping the country for the last three or four years, the Berke book is an excellent place to start. School finance is an area filled with complex technical detail and too often the layman gets caught up in the how of finance without fully comprehending the why. This is not entirely the layman's fault. Exploring the why of school finance quickly uncovers major unresolved conflicts of social policy that are hidden beneath a perplexing array of tax rates, allocation formulae, special jargon, etc., that only the professionals are supposed to understand. The new books by Berke and by Benson are not written in that vein. To the contrary, they treat the school finance reform movement as a genuine social reform effort and lay bare the social and economic values upon which this movement is based. Generations of educators who were taught that "politics should be kept out of education," may be quite uncomfortable with portions of both books. Others will find that they are refreshingly frank and that there is no intellectually honest way to treat modern K-12 financing without discussing conflicting social values. For example, Berke states his understanding of the assumptions of the new school finance reform movement in unequivocal terms:

> If one believes that greater resources should be spent on the education of children who are demonstrably the least likely to succeed--the physically or mentally handicapped, the poor, the members of racial minorities--the present pattern of resource allocation is simply wrong. It is the communities that are the richest, the whitest, and the most socially advantaged that usually lead their areas in the quality and quantity of school services.[2]

He is no less forthright in also stating why, in his opinion, most school finance reform movements fail:

> What has delayed widespread passage of effective equalization laws has been the age-old difficulty of overcoming or reconciling those who benefit from the current school finance systems.[3]

Benson is equally candid:

> . . . we cannot expect the more affluent--who hold a disproportionate share of political power in this country--to champion the reforms we have advocated in this book. First, wealthy people are

not being shortchanged by existing arrangements; schools in wealthy districts are usually well-equipped and effective.[4]

If any new school board member has any lingering doubts about the deep social and political unrest that is behind current school finance reforms in the United States, reading Berke and Benson will remove those doubts forever.

Since Berke's professional training is in political science, it is no great surprise to find that he concentrates much of his attention upon the strategies and tactics of successful reform and somewhat less attention on the actual methods of that reform, although his "recommendations" section contains many solid, practical suggestions. Procedure and methodological detail, however, are better addressed in the other two books we shall comment upon later. Berke lists a number of factors that inhibit school finance reform including the need for rather large amounts of new state money in any serious reform attempt:

> Slicing the pie of educational resources in a more equitable manner so that the portions for the haves become smaller and those for the have-nots become larger will probably occur only if there is a larger pie to slice. (Emphasis mine)[5]

Furthermore, he notes that the appeal for new funds in this kind of reform movement is on a quite different basis than the appeal to the electorate has been in the past:

> State legislators will be asked to appropriate additional funds for education, not for the standard purposes of increased productivity, or compensating for increased cost, but to eliminate or at least reduce expenditure and tax burden disparities among districts.[6]

Additional opposition to reform efforts center around the "ethic of local control," since most reforms do call for the state government to assume a larger percentage of the funding of K-12 education and local districts to assume a smaller percentage. Closely associated with this factor is the fear that greater state assumption of funding will eventually lead to statewide teacher negotiations with the possibilities of statewide strikes. Finally, there is the question of whether additional monies sent to poorer districts will really make a difference in the life chances of children from poor families, or whether it will, "all go to teacher salaries."

With all these arguments against school finance reform why then are the reforms succeeding in one state after another? Berke indicates at least five reasons. First, for a very long time, there has been a dissatisfaction with the traditional methods of funding K-12 education. Much of this has centered on criticisms of the so-called "Strayer-Haig" or "foundation program" approach. Berke and Benson stress the unequal educational opportunities for children when the quality of education depends primarily upon the property valuation available in a given local district. However, both Berke and Benson seem to overlook the dissatisfaction of taxpayers with the traditional methods of funding education. Individuals of a very conservative political and social persuasion are often unsettled by a situation in which one unfortunate taxpayer has to exert twice as much effort as another taxpayer, and still receives only half of the level of goods and services available to the more furtunate taxpayer. This occurs, of course, because the more fortunate taxpayer is located in a property wealthy district and the unfortunate taxpayer is located in a property valuation poor district. We doubt very much if the liberals with their concern over inequities among children could have accomplished all these reforms alone. The unequal treatment of taxpayers brought many individuals of a more conservative bent into the K-12 reform movement. In any event, students

of school finance had been saying that the traditional methods of school finance did not now, and probably could never, solve important equity problems among both students and taxpayers. A number of writers in Illinois including professors William McLure, Ben C. Hubbard, and G. Alan Hickrod, had been probing the strengths and weaknesses of the traditional methods of finance for some time.[7]

Equity problems, however, while they greatly troubled some educational professionals, did not seem to trouble the conscience of the public. A series of court cases starting in 1971 changed all that. Suddenly these old equity problems became the fulcrum for overturning school finance systems all over the country. Case after case alleged that traditional school finance allocation schemes were offensive to the equal protection clauses of both state and federal constitutions, and that they might also be unconstitutional in terms of the education clauses of some state constitutions. Since Berke himself played a central role in some of this litigation, his account of this legal action in school finance is most informed and accurate. The Berke book serves another useful function here since it also contains the full text of some crucial school finance decisions such as Serrano v. Priest, San Antonio v. Rodriguez, and Robinson v. Cahill. Only a small number of these cases were ultimately successful in getting school finance allocation procedures declared unconstitutional, principally those in California, Kansas, and New Jersey. However, the pressure of the litigation was sufficient to move forward some major legislative proposals.

The third important ingredient for successful reform was the commitment of influential legislators to reform. In Illinois there can be little doubt that legislative members of the School Problems Commission played a very important role in the reforms of the summer of 1973 did not seem to be directly tied to tax reform, welfare reform, or other measures. However, almost all observers would agree that while the 1973 school finance reforms may have passed on their own merits they certainly did imply legislative reform at some future point in time of other matters. The most important item here was a deliberate deferral of reform in the property assessment process. Finally the badly needed funds to "level up" the expenditures of poor districts to those of wealthier districts were found, mostly in the form of previously unavailable federal tax sharing dollars. Berke quotes the Speaker of the House in Florida as saying, "you can only equalize on a rising tide." Doubtless that sentiment would be echoed by many politicians in Illinois. The recent problems in "fully funding" the second year of the formula center on the fact that the "tide" might have begun to ebb before the formula could be made fully effective.

Berke has long been a proponent of more aid to the central city districts and one would expect to find an extended analysis on just what all this reform means for large urban school districts. Superintendents of central cities reading this volume for suggestions on how to increase the flow of funds to their districts will not be disappointed. It is hard to believe that any central city superintendent would not comprehend just how important it was to put the Title I weightings into the new state aid formula in Illinois, but if there are any such, a reading of Berke will convince them that the General Assembly acted wisely in putting these weightings into the general grant-in-aid formula. Berke also provides an interesting analysis which demonstrates that neither (a) full state assumption of all costs, nor (b) district power equalization (in Illinois called the "resource equalizer") would, in and of themselves, insure that funds went to income poor families.

The inclusion of the Title I weighting in the Illinois formula is not, however, simply a matter of aiding central city districts, although it admittedly does that. Evidence was given in Rodriguez that, "poor children are not always located in poor districts." Further evidence on this point has now been introduced

into the on-going Serrano case in California. If the new allocation formula in Illinois had not included a Title I weighting, then children in income poor families who happened to be located in property valuation wealthy districts with relatively low tax rates would not have been helped. This new evidence in California suggests that there are far more of these children than might be at first suspected. Furthermore, evidence now being analyzed in Illinois suggests that not only are there numbers of income poor families in property valuation wealthy districts, but that there may also be large numbers of income poor families in districts whose average income, that is, income per pupil, is relatively high. This comes about because of a skewed income distribution, particularly in central cities, where large numbers of income poor families are offset by a few wealthy families or individuals. Thus, the simple inclusion of an income factor in the state aid formula will not reach these families. The author of this section did advise large city superintendents and their representatives in the General Assembly not to accept the "resource equalizer" unless it contained the Title I weighting. What it comes down to is simply this: there is no substitute for putting a "poverty correlate" into the formula -- neither median family income, income per pupil, nor any other "average" measurement will do the job.

Having put the Title I measurements into the Illinois formula, we face now the interesting prospect of having the U.S. Congress change the definition of Title I. Should this occur, legislators from rural areas in Illinois may suddenly find that they are a lot more interested in this factor than they were when it first passed. It is generally believed that raising the income level in the Title I definition will cause the flow of state money to shift in the direction of the more rural units. Research on this matter is currently underway at Illinois State University by Daniel Hou.[8] In a broader sense, the matter of the Title I definition is but a part of a greater problem of defining district "wealth." As recent work by Walter Bishop shows, the business of deciding just which districts are wealthier than other districts in Illinois is no simple task.[9] Regrettably this basic problem affects all kinds of financial analysis in the State.

The new offering by the man who may very well be the paramount scholar in the school field today, Charles Scott Benson, is aimed at a slightly more sophisticated audience. Professor Benson and his associates have put together a book of considerable scope and power. If Berke's publication helps explain why we are where we are in Illinois, Benson's gives some insight into where we might be going next. The introductory chapters cover some of the same ground as Berke although the treatment is sufficiently different that an individual reading of both will not find them too repetitious. Benson is at his best, however, when he starts his analysis of the two major reform "solutions" advocated in the United States today, that is, full state assumption (FSA) and district power equaliztion (DPE). It might be recalled that a majority of the recent State Superintendent's Advisory Committee did recomment full state assumption in Illinois. A minority position, however, recommended the district power equalization system and that minority's position eventually became law.[10]

Professor Benson provides some important insights into the weaknesses of all DPE systems, including the one we have adopted in Illinois. The following passage is typical and worth quoting in some detail:

> A very important difference between FSA and DPE plans is that DPE allows, indeed encourages, the perpetuation of differences in education provision. Such differences often have little rational connection to the needs or desires of school children, who are, after all, primary (though nonvoting) clients of an educational system. DPE offers no

more protection to children from apathetic or selfish adults than our present system does. It may break the connection between quality of education and size of local tax base, though, in the sense that high and low spending districts can no longer be generally identified by their taxable wealth. But at the same time, DPE allows districts to trade local tax relief (a benefit to resident adults) for financial starvation of the local schools. Thus, if children are protected from the uneven distribution of locally taxable wealth, they are nevertheless vulnerable to possibly harmful influence of adult taste for educational services.[11]

Benson is also aware that the DPE systems are really "reward for effort" schemes and that it is more important to stimulate low property tax rates than to stimulate high property tax rates. In fact, a growing objection to all DPE systems is this stimulation of local tax rates. This objection can be partially met by adopting a "curvilinear" or "kinked" DPE system which rewards increases at the low end of the tax rate scale more than increases at the upper end of the tax rate scale. The present system in Illinois is "linear," that is, the same rate of reward holds throughout all tax levels. If the new Illinois DPE system begins to result in a large number of local tax referendums being passed at the upper end of the tax range, then this may be a partial solution. However, local districts may not react very kindly to "changing the rules in the middle of the game." That is, once a linear system is adopted, it may not be so easy to go to a curvilinear system.

The major message the Benson book has for Illinois probably comes in his chapter with the provocative title, "Protecting the Poor from Reform." As he puts it: "The major problem in social policy reform is not saving poor people from themselves but from reformers." In this chapter, he describes two major adjustments that should be made by any state that adopts a DPE system. First, he describes the operation of a system known as a "circuit breaker." This is a procedure by which the state either forgives or refunds property taxes when the property tax exceeds a stated percentage of an income poor family's yearly income. Adjustments have to be made for renters and for farm dwellers but the procedure is intended to protect low income families from the increased property tax rates that can come in certain kinds of districts in the wake of an adoption of a DPE system. Protection is particularly sought for families living in relatively property valuation wealthy districts that may seek to increase their tax rate to profit from the "reward for effort" feature in all DPE systems. Of course, if the district is very wealthy, then such a protection may not be as necessary since most of the effect on an increase in the rate falls on local resources rather than upon state resources and the incentive to pass new referendums to receive additional state aid is largely missing. Again, the need for this will come if rate increases are observed to occur in districts known to have large concentrations of income poor families. Such an "improvement" in the Illinois funding system could be quite expensive to the state, however, and adoption might be better considered after the four year phase-in period of the present formula. It should be mentioned in passing that "circuit breakers" do have considerable support from many individuals on grounds that have little to do with school finance. This group considers the "circuit breaker" to be the most realistic way to give "property tax relief" to the citizens of Illinois.

The second major adjustment in "protecting the poor from reform" is the simultaneous adoption along with DPE of either income-based grants or low achievement based grants to school districts. Benson tends to discuss this in terms of categorical programs, but such protection can come in the form of weightings in the general formula. Illinois, of course, did heed Benson's advice here by adopting a weighting not only for the simple Title I count, but for a concentration of Title I students. This latter notion, that is, providing a greater weighting for higher concentrations of Title I students than for lower concentrations of Title I students was taken from the President's Commission on School Finance.[12] Some states, notably Michigan and California, have

relatively large state programs for the socio-economically deprived. Illinois elected to go a different route and place weightings for lower socio-economic children in the general formula. This weighting procedure has also been followed by Minnesota, New Jersey, and Rhode Island. What has not been settled, however, is whether these "weighted funds" should be further targeted to specific attendance units within school districts in the manner of the federal Title I funds. There are those who feel that the dollars going now to districts because of the Title I concentrations may, nevertheless, not get to the individual schools that need those funds the most. This further targeting of the state funds delivered by the Title I counts will need further investigation.

Charles Benson would not have the stature in the profession he has, however, if he limited himself only to the kinds of adjustments just discussed. In the final chapters of his new book he launches what some might call a "Grand Design." In his words: "The sketch evolves from a simple outline: FSA at the elementary level, DPE for the middle schools and high schools, with voucher supplements and interdistrict mobility at the high school level."[13] It would take considerable study before one knew whether or not an institutional change of this magnitude was really feasible for Illinois. The voucher system he suggests is certainly a far cry from the older voucher proposals. It is a highly structured system, intended primarily to give the student more choice at the high school level, particularly in the area of vocational education. Anything with the "voucher" label is apt to meet both emotional opposition and emotional support. However, that there has always been some public support in Illinois for voucher systems can be ascertained from the final report of the School Finance Task Force that was operative in the Ogilvie administration.[14] A limited voucher system, intended perhaps for early childhood education, or for only certain aspects of the instructional program, such as driver education, might find more support than one might think in this state. Likewise a voucher system aimed only at low income families would find support in certain circles.

Implementation of the "Grand Design" poses some real problems in states such as Illinois with separate high school and elementary districts. The notion is nevertheless mind-stretching, and therefore useful. For example, there is no necessary economic reason for unit districts if the duals are big enough to effect economies of scale. Some other educational considerations such as curriculum coordination might be brought forward to necessitate unit systems but no economic rationale automatically exists. It is size that is the problem in economic inefficiency, not organizational form. It is not clear whether unit districts would have to be established in Illinois to implement this plan or not. The possibility of a statewide salary schedule for elementary teachers and a partially locally determined salary schedule for high school teachers would also pose some real problems in Illinois.

For those school board members who are by now thoroughly disturbed by all this social reform emphasis we have Elchanan Cohn's new book, Economics of State Aid to Education. Not that economist Cohn is opposed to social reform, but he has simply written from the more detached perspective of the social scientist. Unfortunately, this publication is aimed at the most sophisticated level of audience of the three books and some of this social science may be beyond the ken of many laymen. However, the first half of the book can be understood by anyone willing to apply himself or herself diligently to understanding simple algebraic expressions for different kinds of grant-in-aid formulae. For those in Illinois who put themselves forward as "formula experts" Cohn will be required reading. For example, for anyone who does not see that the Illinois "resource equalizer" system is truly a district power equalization system, pages 34 and 35 are instructive. Cohn's book makes a valiant attempt to document the recent changes in grant-in-aid formulae throughout the United States and does a respectable job for Utah, Kansas, Maine, and Montana. The book went to press, however, before the full extent of changes in Illinois, Michigan, Florida, and New Mexico, could become known to the author. Probably, no hardback or

even softback book can keep pace with the amount of legislative activity in recent years and hence the importance of the shorter monographs which we will discuss in the final part of this section. The Cohn book also makes an important step toward more precise definition of goals in school finance such as "equalization." Since Professor Cohn has been kind enough to make use of some of the efforts of the author of this section in this new book, it would be perhaps self-serving to praise him in this area and we leave the evaluation of his efforts at conceptual definition to others.

The latter portions of Cohn's book take up a question that is of considerable importance to Illinois; that is, the effect of many small school districts. Economies are diseconomies of scale have been a long-time interest of Professor Cohn and much of his earlier research on this subject can be found summarized in this volume. Having demonstrated, at least to his own satisfaction, the existence of diseconomies of scale, Cohn goes ahead to suggest ways in which school districts can be either rewarded or punished for being too small. If there is a problem here, it is that some analysts would still quarrel with the existence of the U-shaped function which Cohn, on the basis of prior empirical research, accepts as a given. Cohn, of course, acknowledges that this approach has weaknesses since the shape of a production function for education is not presently known. To put this same problem in somewhat different terms, there is presently no generally accepted way to control for "quality" of educational services. Thus, there is no assurance that the higher costs associated with the larger size districts do not also purchase higher levels of goods and services. The problems of controlling for quality in order to identify the determinants of cost at constant quality plague much of the economies of education. Recent research by Brazer in attempting to isolate regional costs of education runs into exactly the same conceptual issue.[15] Economist Cohn sees the problem and handles it in the abstract but handling it in actual empirical research designs is something else.

We turn next to two very valuable monographs on school finance matters. Although all three books discussed above try to include information on recent reforms in school finance laws in the several states, it is quite difficult, if not impossible, for the typical book format to be current on these matters. Fortunately, two organizations, the Education Commission of the States and the National Legislative Conference have tried to fill this gap by publishing monographs describing recent reforms in school finance. The ECS monograph is by Lucile Musmanno and Alan C. Stauffer and is entitled: Major Changes in School Finance: Statehouse Scorecard.[16] The National Legislative Conference monograph was primarily the responsibility of W. Norton Grubb and is entitled New Programs of State School Aid.[17] The ECS monograph describes changes in ten states and the NLC monograph changes in eleven states. Illinois is included in both monographs. Both of these monographs tend to concentrate upon states which adopted district power equalization in 1973.

It would be too much to ask that these monographs be "letter perfect" since there is so much variation from state to state. For example, the ECS description of the Illinois reform omits the provision of a weighting based upon the concentration of Title I pupils, rather than simply the Title I count. This is a rather important provision for city schools. Dr. Grubb's account gives Illinois about twice as many districts as we actually have and reflects the now groundless rumors that the formula would be badly underfunded in the second year. Nevertheless, these are minor imperfections, and Grubb makes two valid points about the 1973 Illinois reforms. First, the flat grants and the "alternate method" calculations do remain in the Strayer-Haig option and are somewhat disequalizing. More importantly, wealthier districts, choosing to operate under the old foundation option, do not

have their spending as curtailed as districts operating under DPE who are limited to the $3.00, $1.95, and $1.05 rates, subject, of course, to a 15 percent override. This matter of higher tax ceilings under one option than under the other needs investigation, but there are actually very few wealthy districts whose voters will allow them the luxury of these higher ceilings. The NLC monograph is somewhat more detailed than the ECS effort and contains the full text of the reform legislation in all eleven states. On the other hand, the ECS monograph contains a useful list of school finance study commissions and committee reports from twenty-nine states.

Monographs such as these add a very important "comparative" dimension to the study of school finance. We will illustrate this by noting some contrasts and comparisons between the 1973 reforms in the neighboring states of Michigan and Illinois. The similarities of the Michigan and Illinois reforms are rather striking. It is clear that the basic rationale of the "Bursley Act or Equal Yield Plan" in Michigan is very close to House Bill 1484 which became law in Illinois. Explanatory material prepared by some of the architects of the Michigan legislation states that the "equal yield" principle is that, "state funds will be distributed in such a manner so as to guarantee each school district equal per pupil dollar returns on equal self-taxing effort."[18] This appears identical with the basic principles of "equal expenditure for equal effort" found in chapters three and four of the Final Report of the Superintendent's Advisory Committee on School Finance.[19] Furthermore, the basic computations are the same in both states, e.g., the state grant is determined by the process of multiplying the tax rate in the district by the difference between a "guaranteed valuation" and the actual valuation in the district. In terms of current national literature, there is no doubt that both are "district power equalization" systems.

The actual parameters in the two formulae are, of course, different. Since Michigan is blessed with all unit districts, they need only one guaranteed valuation level which in 1974 was set at $38,000. This is to be escalated to $39,000 in 1975 and $40,000 in 1976. This notion of escalating the guaranteed level is one that might be explored in Illinois. For example, it might be possible, after the four year phase-in, to escalate the guaranteed valuation on the basis of a cost-of-living index or some other economic index. The Michigan bill also has ceilings on the tax rate and thus the expenditure level, which the state will share with the locality. In 1974, this is to be $2.20 and in 1975 $2.50. Tax rates cannot be compared directly among states, however, due to different ratios of assessed valuations to actual valuations. We come then to the first major contrast. After 1975, the ceilings are to be removed in the Michigan legislation. If this is actually done then the state will share in any expenditure level the local districts choose to set. Experience in New York, Massachusetts, and a number of other states with "local incentive" type grants suggests that state legislatures are not prone to do this and it will be interesting to see if the Michigan legislature actually does remove the ceilings it now has on its DPE system. More importantly, there is no "rollback" provision in the Michigan law akin to that in Illinois suggesting that "property tax relief" may not have had quite the importance in Michigan that it had in Illinois.

There is another contrast in that Michigan provides no weighting in the general formula for Title I children. This omission, however, has to be interpreted in light of the fact that Michigan does have a separate state categorical program for disadvantaged children and also that the "Bursley Act" contains a municipal overburden factor that will give additional funds to urban school districts. Michigan

also provides that capital expenditures can be included after 1975 and thus, unlike Illinois, Michigan will not have a separate categorical grant for capital aid. This has some advantages. It is becoming apparent that there is some theoretical conflict between a general purpose formula in Illinois that is based on "reward for effort" and a capital assistance formula that does not take into consideration local effort. Finally, Michigan took Benson's advice and simultaneously adopted a "circuit breaker" which allows a refund of a portion of the property tax when the property tax exceeds 3.5 percent of family income. Larger refunds are available for those over 65 and some categories of veterans.

Space will not permit further comparisons with other states but as of this writing, the "district power equalization" club now has nine members. These are Utah, Montana, and Colorado in the west; Wisconsin, Michigan, Kansas, and Illinois in the middle west, and Maine and New Jersey in the east. Florida did have a limited amount of district power equalization in its 1973 reforms, but has since removed that small amount of reward for effort that it had. It would be to the distinct advantage of all members of the DPE club to remain in close contact with one another. DEP itself is certainly no panacea and the particular Illinois version of DPE is probably no better or no worse than some of the other versions. The General Assembly elected to engage in a four year experiment with this idea. No man can say with any certainty what will be the result of that experiment. It is perhaps instructive in this regard to note that the State of Iowa has gone from a foundation level system to a percentage equalization system and then back to a foundation system in the course of only a few years. There is absolutely nothing wrong with this. To the contrary, it is a sign of health in a state that it is willing to experiment with the basic financial institutional arrangements. It must be admitted, of course, that all this institutional change is difficult, very difficult indeed, for those whose responsibility it is to administer the finance laws of Illinois. It is particularly fortunate for the State that it has both experience and considerable expertise in the fiscal management sections of the State Office of Education. During these periods of change and experimentation, it would be disastrous to be short of experienced personnel in these critical branches of state administration.

The conscientious new school board member might also be interested in a number of other monographs which we can now only list. First, there is the report of the Phi Delta Kappa National Commission on School Finance entitled Financing the Public Schools.[20] This is a good plain speaking, nontechnical presentation of state fiscal goals. Second, there are the proceedings of the National Conference on School Finance. For example, the proceedings of the 16th National Conference contains a chapter dealing specifically with Illinois financial data. "Alternative Fiscal Solutions to Equity Problems in Public School Finance" by the author of this section has some information on trends through time in Illinois school finance and some additional material on the measurement of the policy goal known as "fiscal neutrality."[21] No complete knowledge of the details of Illinois school finance could be obtained without an investigation of the twelve annual reports of the Illinois School Problems Commission, much of this is the work of Professor Ben C. Hubbard. For those who intend to work at depth in this area, an investigation of the final reports and perhaps even the working papers of the Superintendent's Advisory Committee on School Finance and the Governor's Task Force on School Finance is also in order. There is one shortcut to keeping reasonably up-to-date on school finance literature. The journal Planning and Changing published at Illinois State University contains a regular feature present in most issues which reviews school finance studies and developments all over the United States. Back issues of this journal constitute a quick way to catch up on school finance literature.[22]

In summary then, what kind of an agenda does this literature suggest for future school finance research in Illinois? It is obvious that a high priority item must be the careful evaluation of the DPE experiment. If possible, this evaluation should be conducted jointly with other states who have also adopted DPE systems. When should the evaluation take place? Some evaluation can take place after one or two years' experience with the allocation system but it seems better to place most of the evaluation in the third year of the experiment when we will have at least two years of prior financial data with which to work. In the third year of operation of the system, we should also know whether we need to weaken somewhat the "reward for effort" aspect by adopting a curved or non-linear schedule and we should also know how important it may be to adopt a "circuit breaker" adjustment to protect the poor from the reforms of 1973. The most critical item may, however, be the reform of property valuation assessment practices. Neither the DPE system, nor any other allocation system, will work well without reasonably good uniform assessment practices. This reform cannot long be delayed without seriously impeding the operation of the new DPE system. The new Title I factor in the formula needs careful attention, especially should the definition of Title I eligibles be changed by the Federal Congress. At some point, we must also face squarely the economic effects of retaining the many small schools in Illinois. The adoption of either penalties for being too small or rewards for being larger will not be popular. Considerable back-up research is necessary to document exactly how inefficient small schools are, and what they are costing the taxpayer. We need also to look into regional cost differentials. However, cost-of-education indexes that are worth very much must try to hold the quality of education constant, and we have commented on just how difficult that really is. There is surprisingly little commentary in the current research on the effects of inflation on state allocation systems and there is also not much on the effects of declining enrollments. Our constantly shrinking dollar and the pill are facts of life and their school finance consequences are striking.

This is a crowded agenda and it will take all the manpower the Office of the Superintendent of Public Instruction can muster plus all the help they can get from the major universities of the State. In fact, the new State School Board might well want to assess the current research manpower in the State in school finance to know if there are really enough hands around to get this job done. The General Assembly, the School Problems Commission, and other agencies can be expected to be doing likewise. There may be a surplus of labor in some other educational areas, but in this area of educational research there seems to be more than enough work for everyone.

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4. Benson, p. 141.

5. Berke, p. 117.

6. Ibid.

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22. Subscriptions are $7.50 per year and single issues are $2.50. Applications should be made to Peggy Hundley, Business Manager, Planning and Changing, Department of Educational Administration, Illinois State University, Normal, Illinois, 61761.

Appendix A

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Appendix B

GLOSSARY

AFDC: Aid to Families with Dependent Children (Title IV, Social Security Act). Federal assistance to low-income families administered by states. Children in AFDC families with incomes over $2,000 counted in establishing county entitlements under Title I of the Elementary and Secondary Education Act (compensatory education for disadvantaged children.)

ASSESSED VALUATION: A valuation determined by a governmental unit upon real property and corporate personal property which provides a basis for levying taxes (see equalized assessed valuation).

AVERAGE DAILY ATTENDANCE (ADA): One unit counted for a pupil who attends school every day for five or more clock hours that school is in session during the computation period. The latter may be for the year or the highest six months. Fractional days of attendance may be counted in some instances; and certain exceptions are allowed in the length of the school day per formal opinion number eight as promulgated by the Superintendent of Public Instruction.

BOND: A written promise, generally under seal, to pay a specified sum of money (the face value), at a fixed time in the future (the date of maturity), at a stated rate of interest.

BONDING POWER REMAINING: The difference between the constitutional debt limit (six percent in dual districts, 12 percent in unit districts) and bonds outstanding.

BUILDING BONDS: Bonds sold for the sole purpose of acquiring or constructing school buildings and/or sites.

CAPITAL DEVELOPMENT BOARD: The state agency responsible for providing school sites, buildings, and equipment to meet the needs of school districts unable to provide such facilities because of lack of funds and constitutional bonding institutions. The Board also approves funds for area vocational centers and administers the school facilities legislation in cooperation with the Office of the Superintendent of Public Instruction.

COMMON SCHOOL: Used interchangeably with local education agency, local school district, and public school.

COMPARABILITY: Equalization of services funded by state and local resources in Title I and non-Title I schools before expenditure of Title I funds can be authorzied.

DUAL SYSTEM: Any given geographical area where there is a separate elementary (K-8) district and a high school (9-12) district as opposed to a unit (K-12) district.

EQUALIZED ASSESSED VALUATION: The total value of the real and corporate personal property of a district as determined by assessment and application of multipliers, calculated, and assigned by the county board of review and the Department of Local Government Affairs. Theoretically, this system of multiplication "equalizes" property assessments throughout the State (see assessed valuation).

FORMULA GRANT: A grant of federal funds to a state or other government body or agency, the amount of which is determined by a formula in the legislation. Such grants are not automatic. The state or other agency is usually required to submit at least the data to support its entitlement, an acceptable plan for use of funds, and assurance of compliance with federal law and regulations.

FOUNDATION LEVEL: The 1974-1975 Strayer-Haig Formula guarantees that a school district shall have access to $520 per pupil in best six months' WADA through a combination of local revenue, plus the flat grant or special equalization aid. The alternate method of computation and the 25 percent add-on factor increases the foundation level to an amount in excess of $520. The Resource Equalizer Formula in House Bill 2753 provides a foundation level of $1,260 per Title I weighted average daily attendance pupil concentrated when the district has an operating tax rate equal to or in excess of 1.95%, 1.05%, or 3.00% for elementary, high school, and unit districts, respectively. There is a minimum four year phase-in period for implementing this foundation program.

GENERAL AID: That part of the apportionment of the Common School Fund to school districts which cannot be less than $60 per WADA pupil.

GRANT CONSOLIDATION: Proposal to combine a number of federal special purpose programs in elementary, secondary, adult, and vocational education into broader funding categories to give school officials more flexibility in meeting state and local needs and to reduce duplication of effort and paperwork at federal, state, and local levels.

NONFEDERAL REVENUE: All revenue, other than that from federal sources. This includes local taxes, general state aid, state categorical aids, tuition, admissions, fees, rentals, sale of food, textbook sales, sale of property, and bond proceeds.

OPERATING TAX RATE: A school district's total tax rate less the tax rate for Bond and Interest, Rent, Special Education Construction, Vocational Education Construction, Transportation, and Capital Improvements.

ORSHANSKY INDEX: Scale used in 1970 census to establish family-income poverty level, based on size of family, farm or nonfarm residence, and sex of family head. In House and Senate bills to extend the Elementary and Secondary Education Act, it replaces $2,000 family-income poverty level in Title I entitlement formula.

QUALIFYING TAX RATE: The minimum tax rate a school district may have extended to qualify in full for special equalization aid in the state foundation program. The rate is legislated by the General Assembly. The qualifying tax rate referred to in the transportation reimbursement formula is for computation purposes only. However, a district to be eligible for 100 percent reimbursement in excess of four-fifths of the allowable costs must have a minimum .12 percent Transportation Fund tax rate.

REFUNDING BONDS: Bonds sold to repay other bond issues or accrued interest thereon.

SCHOOL PROBLEMS COMMISSION: A commission created by the General Assembly to survey and to study the problems pertaining to the public schools in Illinois.

STATE AID FORMULA: The formulas legislated by the General Assembly for apportioning the Common School Fund -- Distributive Fund to the various school districts.

SUPERINTENDENT, EDUCATIONAL SERVICE REGION: The chief school officer for the county or counties in an educational service region, who exercises supervision and control over school districts within that region.

TAX ANTICIPATION NOTES: Notes issued in the amount to not exceed 75 percent of the taxes levied by the respective school district. The notes may bear an interest rate not exceeding seven percent, the notes do not count against any statutory debt limitation and the notes must mature within two years.

TAX ANTICIPATION WARRANTS: Warrants are issued in anticipation of the collection of taxes and may be issued to the extent of 75 percent of the total amount of the tax levied. These warrants must be repaid upon receipt of tax monies by the district.

TAX RATE LIMIT: The tax rate limit is the maximum tax rate that the county clerk may extend. The General Assembly authorizes maximum tax rates without referendum. Districts may increase tax rates, within limits, subject to voter approval. A limited number of levies are allowable without a tax rate limit.

TEACHERS' ORDERS: Teachers' payroll warrants issued by a school district which may be cashed at a local bank. By agreement between the school district and the bank, the district will redeem the orders at some future date (with tax receipts) and pay the bank a stipulated rate of interest not to exceed six percent.

UNIT DISTRICT: A school district that encompasses all grade levels (K-12). A term used interchangeably with a 12 grade district.